

FINANCIAL TIMES

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Crédit Lyonnais
may need to take
additional charge

Crédit Lyonnais, troubled French banking group, may need to make additional provisions of up to FF25bn (\$4.7bn) against its heavy losses, government sources said. Jean Peyrelevade, appointed by the government as chairman of the state-controlled group last year, told officials earlier this week that total provisions could be in the range of FF15bn-FF25bn, the sources said. The size of the provisions would be among the largest reported in French corporate history. Page 13

Ukraine in IMF deal: Ukraine reached a preliminary agreement with the International Monetary Fund on a reform programme which could release \$700m in aid next month. Page 26

Building society review: The UK government launched a review of the way building societies operate, including how they are accountable to the customers who own them. Page 6; Lex, Page 26

Buses to stay 'predominantly red': Some of London's double-decker red buses, a symbol of the capital from New Delhi to New York, changed owners, but the buyer pledged to keep the world-renowned fleet "predominantly red".



Russian budget crisis: Government revenue in Russia would amount to only Rb54,000bn this year, just over half the planned figure of Rb124,500bn and only a third of planned expenditure, said deputy finance minister Sergei Alexashenko. Page 2; The high wire act continues. Page 10

Soap attacks: Unilever suffered a fresh attack on its new washing powder when the Consumers' Association in Britain said the first version of the detergent damaged some clothes in laboratory tests, even at normal temperatures. Page 26

Clinton rules on reshuffle: President Bill Clinton has overruled his chief of staff's recommendation to replace Dee Dee Myers as White House press secretary. Page 3

Polly Peck disposal order: A lawyer representing Atil Nadir said an interim court order had been made in Istanbul preventing administrators from selling any assets of Polly Peck International in Turkey. Page 7

Plague exodus in India: More than 200,000 people have fled the western Indian city of Surat where at least 44 people have died from the highly infectious air-borne disease, pneumonic plague. Page 4

Gas power station agreement: Midlands Electricity and three non-UK companies said they had reached agreement on financing a 750MW gas-fired power station on Humber, underlining the threat to coal from other fuel sources. Page 7

Football ends nervous week steady:

FT-SE 100 index: The UK stock market ended a difficult week on a firmer note with the help of an improvement in the stock index futures and bond sectors, although trading volume remained unimpressive. In early trade, the FT-SE 100 index plunged 22 points through the 3,000 mark to 2,978.2, but recovered to 3,028.2 at the close, a net gain of 7 points. The Footsie fell by just over 1 per cent on the week. London stocks, Page 17

Hepworth, building materials and boiler group: reported a 29 per cent rise in half-year pre-tax profits to £35.6m (\$56.2), although the figure was flat-tered by lower interest and finance costs. Page 12

Time change: Clocks in continental Europe go back by one hour tomorrow morning. Summer time continues in the British Isles for four weeks to October 23 and in North America until October 30.

UK speedster jailed: A British motorist timed by police at 153 mph, the fastest speed in UK legal history, was jailed for six months for dangerous driving. Unemployed builder Achille Mazzotta, 30, was also banned from driving for four years.

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Recovery looking increasingly healthy ■ Personal incomes suffer as taxes rise

UK growth hits six-year high

By Gillian Tett, Economics Staff

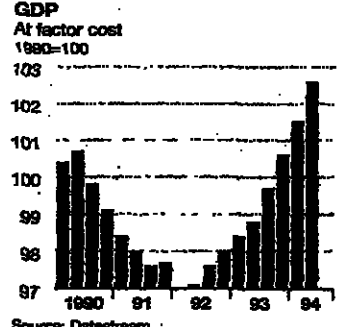
The UK economy grew at its fastest rate for six years in the second quarter of this year, while the balance-of-payments deficit fell to its lowest level since 1987. The figures provide further evidence for the increasingly healthy nature of the recovery. Household budgets suffered, though, as the recent tax rises contributed to the sharpest quarterly fall in the level of personal disposable incomes for 15 years.

The squeeze on consumers may explain why economic growth has not yet translated into a widespread "feelgood" factor. However, statistics from the Central Statistical Office yesterday also suggested that economic recovery was now being "re-balanced", away from consumer-led growth and towards a more healthy export and industry-driven recovery.

Gross domestic product was 1.1 per cent higher in the second quarter of the year, compared with the first quarter, and 3.8 per cent higher than in the same period a year ago.

The figure was higher than the government's previous estimates of year-on-year growth of 3.7 per cent, and faster than most previous City estimates. Although many economists believe growth

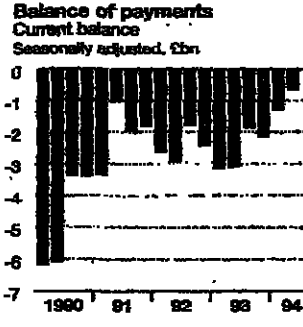
Economic growth accelerates...



will moderate this year, the unexpected strength of the recovery provides further support for the government's controversial decision to raise bank base rates to 5.75 per cent to reduce any inflation pressures created by this rapid expansion.

In another flip for the government, the UK current-account deficit narrowed in the second quarter of the year to £700m as exports rose, imports fell slightly, and overseas investment flowed into Britain. The drop was welcomed by the City, where many economists had feared that the deficit would worsen dramatically this year as growing demand sucked in imports.

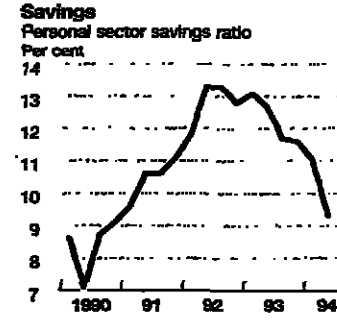
The Treasury dubbed the fig-



ures "very encouraging". The rapid surge in exports, officials noted, suggested that UK manufacturers were becoming increasingly competitive and may be reaping the benefits of sterling's devaluation after the UK's exit from the European Exchange Rate mechanism in 1992.

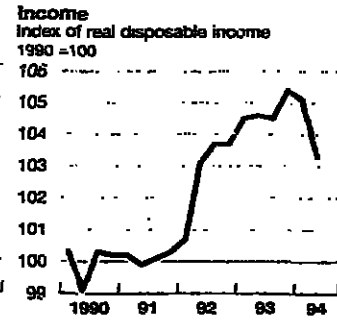
One beneficiary was the corporate sector, which reported record levels of profit and financial surplus in the second quarter. Meanwhile, real personal dis-

but household budgets are squeezed



posable income, measured in current prices, fell 1.8 per cent between the first and second quarters - the fastest quarterly drop since 1981. Compared with the same period a year ago, disposable incomes were 1.2 per cent lower. The CSO said the fall reflected tax rises and a small overall drop in employment incomes.

The population responded by reducing spending and saving, and increasing borrowing. The personal-sector savings ratio fell to 9.3 per cent in the second quarter of the year, from 11 per cent in the first quarter - the largest quarterly drop for eight years. Total consumer spending growth slowed to 0.3 per cent between



the first and second quarters, down from the government's previous estimate of 0.4 per cent growth.

The squeeze on household incomes may add to political pressure on Mr Kenneth Clarke to hold back from further tax measures in the November budget, amid Conservative party concerns that the recent economic growth has not translated into greater political support for the government.

Nevertheless, City economists argued that although consumer spending was likely to fall further this year, the growth in exports would more than offset that, creating a healthier and more sustainable recovery.

London hints of softer line on IRA arms

By David Owen

The government is unlikely to insist that all IRA weapons are surrendered in exchange for allowing Sinn Féin to join political talks on Northern Ireland's future.

That emerged at Westminster yesterday as Mr John Major, the prime minister, raised hopes of further progress on the UK-Irish peace initiative by acknowledging that the government might be engaged in preliminary talks with republican leaders by Christmas.

The positive mood was reinforced by the relatively upbeat tone adopted by both sides after the first meeting under the terms of the Anglo-Irish conference since last month's IRA ceasefire.

Yesterday's developments

came on the eve of the arrival in Boston of Mr Gerry Adams, the Sinn Féin president.

Questioned yesterday on the prospects for talks between the government and the IRA's political wing, the prime minister noted that republican leaders had still not provided sufficient assurances that the IRA had renounced violence for good.

But he said they were "very nearly there". If the assurances demanded by the government were given without delay, "clearly we could be talking at or around Christmas-time," he said.

London has promised to start preliminary talks on how to admit Sinn Féin to the political process within three months of a permanent end to IRA violence. The ground covered would include what to do about the IRA's extensive armoury.

Gerry Adams to land in US today. Page 6

Anything short of a full surrender of IRA weapons would probably disappoint unionists, many of whom are still profoundly suspicious of the IRA's intentions.

But according to Whitehall officials, London is unlikely to regard a refusal by republican leaders to guarantee that all IRA weapons have been handed in as a potential deal-breaker.

There is widespread acceptance, however, that London is likely to take a much tougher line over caches of explosives and military equipment such as semi-automatic rifles and rocket launchers that are believed to be in the IRA's possession.

That is the minimum that would be demanded by the moderate unionists whom it is vital for London to keep on board.

According to Mr John Taylor, the Ulster Unionist MP for Strangford, there is "no way in which the UUP could recognise Sinn Féin as a normal democratic political party... until those guns are accounted for."

Questioned on the issue yesterday, Sir Patrick Mayhew, Northern Ireland secretary, said nobody who had given up violence had "any possible need for these things".

Speaking after his meeting with Sir Patrick in London yesterday, Mr Dick Spring, Irish foreign minister, said London and Dublin were coming closer together in their attitude to the ceasefire.



Dick Spring: gap between two governments is narrowing

Ukraine and IMF agree initial deal over economic reforms

By Christy Freeland in Kiev

Ukraine reached preliminary agreement with the International Monetary Fund yesterday on a programme of radical economic reforms that may release an initial \$700m (\$443m) in aid next month.

The deal with the IMF, the first since Ukraine declared independence just over three years ago, may be a watershed in the country's economic development.

Under former President Leonid Kravchuk, Ukraine became one of the most economically depressed republics of the former Soviet Union. The new president, Mr Leonid Kuchma, has promised comprehensive economic reforms, and yesterday's agreement suggests that his govern-

ment is prepared to live up to his word.

According to Mr Viktor Yushchenko, the reformist chairman of the Ukrainian central bank, who participated in the negotiations, Ukraine has agreed to keep its budget deficit to 10 per cent of GDP.

IMF officials said the accord called for a tight fiscal policy, price liberalisation, liberalisation of Ukraine's foreign trade, rapid structural reform, such as privatisation, and the creation of a safety net to shield the poor.

If the preliminary agreement is ratified next week by the board of the IMF and the Ukrainian leadership, it may pave the way for substantial western assistance. IMF officials said they could begin negotiating a

standby agreement with Ukraine, which might release as much as \$1.24bn, early next year. This summer the Group of Seven leading industrial nations promised Ukraine \$4bn in aid if the country began serious reforms.

"This is a ground-breaking agreement," Mr Lawrence DeMunnar, resident representative for the IMF in Ukraine said.

Mr Yushchenko said the deal was the beginning of a comprehensive reform effort in Ukraine. "This is the beginning of real steps toward economic reform," he said, adding that the president was "100 per cent" behind the IMF deal and the reform process. He also predicted that initial opponents of market reforms in

Continued on Page 26

STOCK MARKET INDICES	
FT-SE 100: 3,028.2 (+7.0)	US functiontime RATES
Yield: 4.17	Federal Funds: 4.25%
FT-SE Eurostoxx 100: 1,243.73 (+9.1)	3-m Treasury Bill: 4.85%
FT-SE-A All-Share: 1,519.58 (+0.1%)	Long Bond: 9.5%
Nikkei: closed	Yield: 7.79%
New York: lunchtime	
Dow Jones Ind Ave: 3,630.74 (-6.39)	NORTH SEA OIL (Argus)
S&P Composite: 458.89 (-1.38)	Brent 15-day (Nov): \$16.25 (15.28)
LONDON MONEY	Gold
3-mo interbank: 5.1% (5.7%)	New York Comex (Dec): \$396.5 (399.0)
1-mo long gilt: Dec 99: 4.9% (Dec 98: 4.5%)	London: \$396.0 (393.8)

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NEWS: INTERNATIONAL

Russian state revenue to fall short by half

By John Lloyd in Moscow

The desperately strained condition of the Russian budget was revealed yesterday by Mr Sergei Alexashenko, deputy finance minister, who said government revenue this year would amount to only Rb54,000bn. This is a little over half the planned figure of Rb124,500bn and a third of planned expenditure of Rb194,500bn.

Mr Alexashenko, who with Mr Sergei Dubynin, the acting finance minister, occupies the hottest seat in the Russian government, said the number of "dissatisfied" people would be

large but that "the government and within it the Ministry of Finance intend to adhere strictly to our chosen line - of restricting inflation and achieving macroeconomic stability".

He appealed to the parliament to pass the budget for 1995 - which has not yet been presented to the parliamentary leadership - and said it should not waste time attempting to revise the 1994 budget, in spite of cuts the government has made in its spending.

Some opposition leaders have threatened to try to overthrow the government by blocking next year's budget,

Russian President Boris Yeltsin is expected to argue strongly that Russia has a strong and legitimate national interest in the exploitation of oil and gas in the Caspian sea region, during weekend talks with Mr John Major, the British prime minister, at Chequers, the premier's country retreat, writes Anthony Robinson. BP and British Gas are among large British companies negotiating deals in Azerbaijan and elsewhere in oil- and gas-rich former Soviet central Asia.

Mr Yeltsin is also expected to outline the

which aims for a monthly inflation rate of 3 per cent, while some ministers in the cabinet have argued for extra expenditure.

Forecasts produced by the

Finance Ministry show that industrial output is expected to be 20 per cent down by the end of this year on 1993 levels - one of the main reasons for the inability of the state to gather

contents of a policy speech setting out Russia's attitude towards arms control and security issues, which he will deliver at the United Nations in New York next week. Mr Douglas Hurd, the UK foreign secretary, will hold separate talks on Bosnia and other international issues with Mr Andrei Kozyrev, his Russian counterpart. Russia's new ambassador to London, Mr Anatoly Adamushin, a former deputy foreign minister and veteran career diplomat, will take part in the talks. See Pages 10 and XXII

In a speech in the town of Krasnogorsk yesterday, Mr Oleg Soskovets, first deputy prime minister, said the government expected the production slump to slow; he blamed its steepness on deep cuts in military expenditure.

He said expenditure in the defence sector had been reduced by 70 per cent in the past two and a half years, while general investment in the economy had been reduced by 65 per cent in the same period.

One of the casualties of the budget cuts this year has been the military, whose allocation of Rb40,600bn was reduced to

Rb32,000bn. The daily Nezavisimaya Gazeta newspaper reported yesterday that General Pavel Grachev, defence minister, is to appeal for more funds, basing his case on the incident earlier this week in which Moscow's main early warning nuclear facility suffered a cut in electricity because it had not paid its bills.

The arrears in back pay in many sectors would, said Mr Alexander Smirnov, head of the Finance Ministry's treasury department, be addressed by the allocation of Rb1,000bn to a wages fund before the end of the year.

SPD's troika starting to totter

By Christopher Parkes in Frankfurt

The authority of Mr Rudolf Scharping, the Social Democrat (SPD) party leader, was challenged yesterday by his rival-turned-partner, Mr Gerhard Schröder.

Old rivalries between the two men re-emerged as Mr Schröder demanded an equal say in negotiations with potential coalition members and the process of sharing out departmental responsibilities in the event of an SPD victory in the forthcoming federal elections.

Less than a month before the poll and just three weeks since Mr Scharping recruited Mr Schröder and Mr Oskar Lafontaine, Saarland premier, into a "troika" to lead the party's campaign, Mr Schröder said it was not acceptable that "some have to walk while others ride on horseback". The party leader was only "the first among equals", he said.

Opinion poll results had stabilised since Mr Schröder joined the campaign. Although the SPD was still trailing Chancellor Helmut Kohl's Christian Democrats and their Christian Social Union allies, and SPD supporters should not raise their hopes too high, this showed the troika was already a success, Mr Schröder said. It had "stopped the free-fall" in public opinion towards the party, he told the Hannoversche Allgemeine Zeitung.

Mr Schröder, who was beaten by Mr Scharping in last year's vote for the party leadership, had joined the ad hoc leadership team after standing aloof insisting he would fight on his home ground, Lower Saxony. He said yesterday the right to an equal say in forming a government was an implicit condition of his agreeing to join.

He once again staked his claim to a "super ministry" for economics, transport and energy. It was "very likely" he would be granted this range of responsibilities in any SPD-led coalition, he said.

The attempt to pep up Mr Scharping's conservative style with Mr Schröder's populist aggression and Mr Lafontaine's charisma was widely interpreted at the time as a sign the party had accepted its leader stood little chance alone against Mr Kohl. Now the risks involved in putting three men with such contrasting styles on the hustings together appear to be emerging. Mr Schröder was recently seen on television telling supporters that he and Mr Lafontaine had discussed which jokes they would tell during the campaign and had decided Mr Scharping should not be allowed to tell any.

While the trio is due to appear together on several occasions before voting on October 16 - with one open-air outing booked for next Tuesday in Frankfurt - media attention is still closely focused on Mr Scharping.

Consistent rather than rousing, he is presenting himself as the man of the middle ground, mimicking the nothing-disturbs-me style of Mr Kohl, in an apparent attempt to lure the CDU vote. However, his speeches so far have shown little variation in tone, content or temper.

Bidding to unseat Mr Kohl who is campaigning for his fourth four-year term after unseating the SPD's Mr Helmut Schmidt, Mr Scharping refers constantly to the SPD's hey-day leaders, Mr Willy Brandt and Mr Schmidt, as his role models.

Mr Schröder, meanwhile, has adopted a characteristically more direct and aggressive style with direct attacks on the chancellor: "Kohl and Co are done for. They have got to go."

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Call to reform French political funding rules

By John Ridding in Paris

Mr Pierre Méhaignerie, the French justice minister, yesterday recommended a reform of the country's laws concerning political funding, arguing that businesses should no longer be allowed to finance politicians' electoral campaigns.

"I think that a new step has to be taken," he told Le Monde newspaper. "In particular, it seems desirable that politicians should be totally independent of companies for the financing of their campaigns."

Mr Méhaignerie also raised the need to examine company law. Several corruption investigations under way relate to the responsibility of chairmen for the actions of subsidiaries, prompting the minister to question whether the law was well adapted to the operations of large businesses. He said the issue would be examined by a three-member commission appointed by Mr Edouard Balladur, the prime minister.

The chairmen of some of France's largest business groups, including Saint Gobain and Schneider, have

been placed under investigation for alleged fraud.

Mr Alain Carignon resigned as communications minister in July after he was placed under investigation in a case involving allegations of illicit payments for public works contracts in Grenoble, where he is mayor. This week an investigating magistrate recommended that Mr Gérard Longuet, industry minister, should be prosecuted for alleged fraud relating to payments for the construction of his holiday villa.

Mr Méhaignerie said he had no concrete plans at the moment to introduce a reform of the party funding laws. "There is no urgency at the moment. But the question merits reflection and a large debate."

He indicated two alternatives to the present system which allows, but strictly limits, the funds which can be paid by business to political parties. One would be the establishment of national foundations within political parties which would act as intermediaries between politicians and businesses. Another would be the creation of a public political financing body.

US Secretary of State Christopher hesitant over lifting sanctions on Serbia

Croats reject UN mandate

By Bruce Clark in Brussels and Laura Silber in Belgrade and agencies

The Croatian parliament yesterday voted against renewing the mandate of the UN peacekeepers in Croatia unless the UN forces are given some muscle to return Serb-held lands to government control. Separatist Serbs have exploited a stalemate wrought by a UN-policed ceasefire to cement the breakaway Republic of Serb Krajina, spanning a third of Croatia's territory, which was seized in a 1991 uprising against secession from Yugoslavia.

UN troops in Croatia have failed to fulfil their mission to repatriate refugees to the Serb-held Krajina, disarm its rebels and restore Croatian sovereignty because they are prohibited from using military force. Meanwhile the US administration, which is due to receive a visit from Bosnian president Alija Izetbegovic today, is backing away from easing sanctions against Serbia, in a move that could threaten the unity of the five nations which are working for a peace settlement in Bosnia.

US Secretary of State Warren Christopher said the US did

not think the United Nations Security Council should vote late yesterday on easing economic sanctions against Yugoslavia. "We think it probably should not be voted on today," he said.

But at the United Nations, diplomats from countries belonging to the contact group on Yugoslavia said US Ambassador Madeleine Albright had agreed for the vote to go ahead last night as scheduled.

The draft resolution will lift, for a trial period of 100 days the UN bans on direct flights to Belgrade and on sporting and cultural exchanges.

Diplomats said the US administration remained vulnerable to the pro-Bosnian lobby in Congress, despite the tightening of military pressure against Bosnian Serbs that was signalled by Thursday's Nato air strike in the Sarajevo area.

The air raid was the first time the UN has accepted the idea that attacks on its own troops should be punished by air raids on targets that had no involvement in those attacks. The air raid followed strong pressure from Nato headquarters, and some intensive private lobbying by senior US politicians and military officers, for tougher action.



General Andre Soubiron, acting UN commander in Bosnia, explains UN policy following Bosnian Serb attacks on his forces. The armoured car behind him was damaged in an attack.

Trade union setback for Norwegian EU hopes

By Hugh Carnegie in Stockholm

Norway's Labour government suffered a setback yesterday in its struggle to win approval for Norwegian membership of the European Union when the LO blue-collar trade union confederation recommended that its members vote No in the referendum on November 30.

The LO, whose 780,000 members represent a large chunk of the electorate, voted by 155-149 at a special congress to recommend a No vote, defying the pro-EU line of the Labour party to which the LO is closely tied.

Mrs Gro Harlem Brundtland, the prime minister, has worked

hard to keep the Labour party, by far the country's largest political party, committed to a Yes vote despite a significant anti-EU stream within its ranks.

She was hoping the LO would do likewise to ensure the entire labour movement leadership was united behind the Yes campaign.

Instead, the LO vote - and the acrimonious debate that preceded it - underscored the divisions within the movement which Mrs Brundtland had hitherto managed to disguise.

The No camp, which holds a strong lead in the opinion polls, hailed the LO vote as a significant development. "Psychologically it is very impor-

tant that the country's largest wage-earner organisation has said No," commented Mr Hallvard Bakke, leader of the anti-EU faction within the Labour party.

An opinion poll earlier this week in the newspaper Aftenposten showed 50 per cent of Norwegians intended to vote No, with 28 per cent in favour and 22 per cent undecided, a slight strengthening of the No side since August.

The poll also showed the No lead strengthening even if Finland and Sweden, which vote first, supported entry. In those circumstances 47 per cent would vote against and 39 per cent for, compared with a No lead of just 43-42 in August.

Warsaw hotel financing debacle dismays Poles

A FF940m (\$40.8m) hotel financing package put together by the Banque Nationale de Paris four years ago, in the heady days just after communism had collapsed in Poland, is coming under attack as it becomes clear the loans can never be repaid.

Mr Jan Parys, new head of Holding Wars, the Warsaw city council-controlled company which now owns the Mercure hotel in Warsaw, has charged that the construction costs of the hotel - which was built by the Compagnie Générale de Bâtiment Construction (CBO) of France - were too high and the eight-year loan carrying a fixed 11 per cent interest rate condemned the project to permanent losses.

The three-star, 250-room Mercure is one of the handful of hotels built in Warsaw over the past four years to cater for businessmen and tourists. This year it has had an average 70 per cent occupancy rate and expects to earn FF45m in an operating cost of FF22.5m.

However, the terms of the loan, which was guaranteed by Coface, the French state export credit agency, require the hotel to pay FF66m in year in capital and interest payments.

Holding Wars is trying to renegotiate the terms of the loan. Three Polish banks,

including the Bank Handlowy, which ultimately guaranteed the credits, are negotiating to take over the unpaid portion, worth FF336m, from BNP.

In the talks with the Polish banks BNP has agreed to waive its FF129m fee for early repayment of the loan while Coface will not be asking for its insurance premium over the eight-year life of the loan to be paid, which saves another FF27m. The talks are expected to be completed by the end of this month.

CBC, which originally held 50 per cent of the equity in the Warsaw Mercure, withdrew in February. The hotel retains the Pullman franchise but the French hotel group has also withdrawn from the project. Day-to-day management of the hotel is now in the hands of Medan, a small French com-

pany. CBC and Pullman were responsible for the original business plan in 1990 which was approved by Coface and the BNP. The French government also actively promoted the scheme at the height of the rush to establish a presence in eastern Europe as it emerged from Soviet control.

Foreign property consultants agree that the project was too expensive and suggest that the construction costs of a 250-room hotel like the Mercure in Warsaw should not have been higher than FF130m for the scheme to be profitable. "They didn't know what they were doing when they signed the deal," says one.

The debacle threatens Polish confidence in foreign investors. "Who in 1990 would have questioned a business plan accepted by such renowned foreign companies?" Mr Parys says ruefully of his predecessors' decision to go ahead with the project.

The European Bank for Reconstruction and Development and the Polish Development Bank have arranged a \$23.5m (\$14.8m) financing package to help fund the first phase of a 20,000 sq m office and shopping centre in Warsaw. The centre is being built by Skanska, the Swedish building company, with the cost of the first phase set at \$35.5m.

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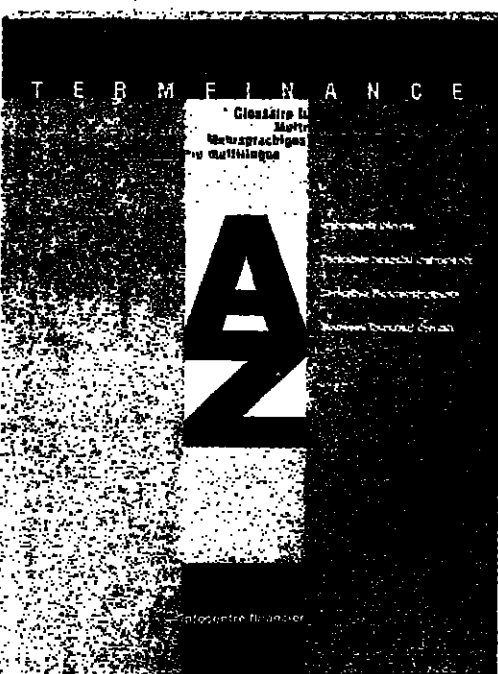
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Clinton hears personal appeal
from his press secretary

White House reshuffle pulls in president

By Jurek Martin
in Washington

President Bill Clinton has overruled his chief of staff's recommendation to replace Ms Dee Dee Myers as White House press secretary. A personal appeal from Ms Myers to the president appears to have been instrumental in his decision.

Details of the White House personnel reshuffle were to be announced late yesterday by Mr Leon Panetta, chief of staff. Advance word was that Ms Myers would not only continue as the daily briefer of the press corps, but would be given additional responsibilities, with greater access to the president and other senior policymakers.

Mr Panetta's plan, widely circulated here on Thursday, would have had Ms Myers replaced as press secretary by Mr Mike McCurry, currently the State Department's effective chief spokesman. She would not have been dismissed but given broader responsibilities in the White House communications network.

News of the reshuffle prompted Ms Myers to cancel her regular daily briefing on Thursday and to appeal directly to Mr Clinton in what was described as an "emotional" session in which she may have threatened to resign. Her departure under protest could have embarrassed Mr

Clinton, since Mr Panetta's reshuffle also apparently involves the replacement of two other senior women in the White House - Ms Joan Baggett, the political director, and Ms Ricki Seidman, who runs the president's scheduling.

But Mr Clinton's action also clearly embarrasses Mr Panetta, the former congressman and director of the budget who succeeded Mr "Mac" McLarty this summer with a clear mandate to shake up the White House staff, especially those responsible for press and external relations.

In other moves, the present communications director, Mr Mark Gearan, is to be reassigned and his position abolished. Mr Phil Lader, now Mr Panetta's deputy, is to swap jobs with Mr Brinkley Bowles, who runs the Small Business Administration.

Mr Panetta has been trying to instil greater order into the White House, in which a wide variety of advisers, including Mr Bruce Lindsey, who is to be reassigned to the legal counsel's office, and Mr George Stephanopoulos, the first communications director and now counsel to the president, have had almost unlimited access to the Oval Office.

This has suited Mr Clinton's eclectic style of decision-making but has caused friction with other departments.

Congress near agreement on lobbyist curbs

By Jurek Martin

The US Congress yesterday moved closer to passing legislation severely limiting the favours its members may receive from lobbyists.

But, with only two weeks remaining before recess, Republicans threatened to block action on other substantive legislation, including a watered-down healthcare reform bill, proposals to change the financing of elec-

tion campaigns and a measure protecting Californian desert lands from commercial development.

The lobbying breakthrough came with the agreement of a joint House-Senate conference committee on a unified bill to be presented to the Senate early next week and the House shortly thereafter. Both had passed different bills earlier in the year.

The bill would prohibit members of Congress and

their staffs from accepting meals, entertainment, travel, legal defence fund contributions and all but the most inexpensive gifts from lobbyists. Campaign contributions would not be covered.

The estimated 13,000 paid lobbyists in Washington would be obliged to register with the government (only about 4,000 now do). They would be required to disclose their financing and expenditures, whom they lobby and on what

issues. The issue has populist appeal in advance of the November mid-term elections in which the anti-Washington mood of the nation is already evident.

The defeat on Tuesday of Congressman Mike Synar of Oklahoma in a Democratic primary and the low vote won by Mr Tom Foley, the speaker of the House, in Washington state were tart reminders of this political reality.

But the Republicans showed

themselves disinclined to hand the Democratic leadership and President Bill Clinton anything that could be portrayed as victories in the November polls.

A mainstream group of senators, including some moderate Republicans, continued to press for modest healthcare reform improving coverage for pregnant women, children and the aged. But even Senator Christopher Dodd, the Connecticut Democrat, said his own

bill aimed at children's health probably could not pass this year.

Senate Republicans also threatened to use an obscure parliamentary device - known as the post-cloture filibuster - to prevent action on campaign finance reform, an issue high on Mr Clinton's agenda. This bill would place financial ceilings on the amount that could be spent in any race and would provide for partial government financing.



Javier Pérez de Cuéllar: strengths centre on international prestige

Pérez de Cuéllar joins race for Peruvian presidency

By Sally Bowen in Lima

Mr Javier Pérez de Cuéllar, the former UN secretary general, has announced that he will run for the presidency of Peru for the period 1995-2000.

The decision will pit the 74-year-old diplomat against both serving President Alberto Fujimori - expected to confirm in coming days that he will seek re-election - and Mr Fujimori's wife, Ms Susana Higuchi. Ms Higuchi has formed her own opposition political movement and will run for the presidency if she can ensure a law impeding her candidacy is quashed.

In a brief and low-key announcement made before a small gathering of press and key supporters, Mr Pérez de Cuéllar gave only general outlines of future policy.

Like most of Mr Fujimori's opponents, Mr Pérez de Cuéllar has been obliged to recognise the advances made in Peru in the past four years. Unlike others, he was able to remind his listeners that he himself had assisted Mr Fujimori in designing "the indispensable corrections in economic policy" made in 1990.

In what appeared to be an attempt to calm the nerves of local and foreign

businessmen, who fear he could represent a return to more a socialist line, Mr Pérez de Cuéllar promised: "What has already been achieved will be perfected... [but with] democracy, genuine stability, development and jobs."

With the first round more than six months away, it is too soon for reliable opinion polls. A nationwide poll by the Apoyo organisation last week showed Mr Fujimori 44 per cent support and Mr Pérez de Cuéllar 24 per cent. Ms Higuchi is trailing with only 6 per cent.

According to the same poll, the qualities most admired in the current president are his capacity for hard work, his decisiveness, his preoccupation with the poor, his knowledge of Peruvian reality and his honesty (although conversely, among his failings, 17 per cent of those polled dubbed him a liar).

Meanwhile, Mr Pérez de Cuéllar's strengths in Peruvian eyes centre on his international prestige, his experience and his commitment to democracy. It is easy to make the charge - and Mr Fujimori has already done so - that the former diplomat, who has lived most of his life outside Peru, is unfamiliar with national problems. Mr Pérez de Cuéllar's retort is, "I've

spent 40 years serving my country. Mr Fujimori four".

Many observers question whether Mr Pérez de Cuéllar has the will, or indeed the physical stamina, for what promises to be a bruising six-month campaign. Certainly, he seems to have stood up well so far to five weeks' intensive travelling in the hinterland where, he says, he has found "vast areas of poverty... [and] a systematic ill-treatment of institutions".

Although presidential candidates and new movements are now proliferating in advance of the October 9 deadline for registration, Mr Fujimori remains in the driving seat. Largely ignoring both his wife and other potential opponents, he devotes most of his working week to travelling in the provinces, inaugurating schools and newly-resurfaced roads.

Mr Fujimori acts like a man whose mission to change the face of Peru is unfulfilled. With undeniable, and concrete, achievements to point to, he will prove a formidable opponent. Nevertheless, Mr Pérez de Cuéllar could prove a welcome alternative for those Peruvians who distrust Mr Fujimori's authoritarian leanings and disapprove of his 1992 overturning of democracy.

Haitians may get US jobs training

By James Harding
in Port-au-Prince

Haitian refugees being held at the US naval base in Guantanamo Bay, Cuba, will start coming home on Monday. US officials could not confirm the number of people who have asked to return, but have taken their requests to do so as a sign that Haitians see the US military presence as a guarantee of security.

Although no details were given, it is understood the US intends to train as many as 1,500 of the people returning for civilian and policing jobs in Haiti. There are currently more than 15,000 refugees at Guantanamo.

US embassy spokesmen said refugees would be repatriated on a voluntary basis only.

US commanders in Haiti yesterday continued to develop operating regulations for their troops in co-ordination with Haiti's military command, General Henry Shelton. US commander of the joint task force in Haiti, yesterday held his fourth meeting of the week with General Raoul Cédras, the military leader, who is required to step down by October 15.

In downtown Port-au-Prince, Colonel Mike Sullivan, head of the US military police units, met Colonel Michel François, the chief of police, who was instrumental in the 1991 coup which ousted elected President Jean-Bertrand Aristide.

News of a meeting with the reclusive but influential Col François, whose whereabouts had been unclear even to US officials earlier in the week, will relieve many who have feared he was not party to the agreement to restore Mr Aristide.

More US troops came out to patrol the streets of Port-au-Prince in conjunction with Haitian police.

In addition, embassy officials announced that three Special Forces operating detachments were yesterday due to be sent out to the Haitian countryside to take up positions at Gonaïves, Jacmel and Cap-Haïtien.

Twelve UN observers arrived yesterday to monitor the military operation, which, although only involving US personnel on the ground as yet, is a multinational intervention sanctioned by UN Resolution 940 in July earlier this year.

US defence secretary William Perry and General John Shalikashvili, chairman of the military joint chiefs of staff, will visit Haiti today to meet US forces, defence officials said. Reuter adds. They will return to Washington this evening.

Life is still no bowl of sugar and bananas

Jamaica's fiscal triumph is in dispute, writes Canute James

The custodians of Jamaica's finances are celebrating what they see as a significant change in the fortunes of their economy.

Since the beginning of the year, there has been a marked increase in the volume of foreign currency in the commercial banking system, and the country's foreign reserves have grown twenty-fold. This, they say, has contributed to several months of currency stability in Jamaica.

The underlying cause of these developments, however, has been questioned. It has been suggested this financial turn for the better has nothing to do with the performance of the economy, and that it could be temporary.

Officials say it is government action which has brought stability.

The deregulation of Jamaica's foreign exchange market three years ago was followed by an 83 per cent depreciation in the value of the Jamaican dollar, following a fall of 67 per cent during the 1980s. Since January, however, flows of foreign currency into the banking system have moved from about US\$2m a day to about \$2m a day. The country's net international reserves have moved from \$12.5m in December to about \$240m in June - equal to the import bill for about six weeks. The exchange rate has been stable for nine months.

"This is the result of a successful policy," said Mr Jacques Bussières, governor of the central bank. "The tight monetary policy of the last year has helped to stabilise the exchange rate, restoring some confidence in the Jamaican dollar. This has encouraged people to hold Jamaican dollar assets, leading to significant reflows of capital into Jamaica."

Mr Edward Seaga, the opposition leader and a former finance minister, is far from convinced. During the period of increased foreign inflows and currency stability, there has been a decline in earnings by the leading sectors of the economy. "There is no underlying growth in the economy to support the inflow of foreign exchange claimed by the government," he contended.

Jamaica's merchandise deficit in the first five months of this year widened to \$374.5m, \$50.4m more than a year earlier, and follows a trade gap of \$1.1bn last year. Marginally higher earnings from tourism will not close the gap. "Jamaica is in great danger by

JAMAICA'S NET INTERNATIONAL RESERVES

In millions of US dollars

1983	-807.4	1989	-530.5
1984	-623.6	1990	-447.8
1985	-700.3	1991	-443.0
1986	-788.1	1992	-67.0
1987	-538.1	1993	+12.5
1988	-535.2	1994 (Jun)	+240.0

Source: (Central Bank of Jamaica)

proceeding on the false premise of having a safe reserve position," Mr Seaga said.

The increased foreign currency inflows followed the expansion of the network of licensed foreign exchange facilities, said Mr Rex James, president of the Bankers' Association. "Black market trading in foreign currency seems to have disappeared. Some money is also coming in because of higher interest rates here than might be available in the US." Jamaican banks' interest rates on foreign currency deposits are about 50 per cent higher than those prevailing in the US.

This increase in currency inflows and the improvement in international reserves, however, masks some continuing and chronic problems for the economy. Economic growth this year is not expected to be much higher than last year's 1.2 per cent - less than half the government's target. The bauxite mining and refining industry and export agriculture (mainly sugar and bananas) are likely to record no more than the marginal growth expected by tourism. Despite the exchange rate stability of the past eight months, figures up to July indicate an annualised inflation rate of 32.7 per cent, following last year's 30.1 per cent. The fiscal programme, attempting to achieve a surplus, has adversely affected social services.

Industrial unrest threatens as the government, ironically, becomes the victim of what its claims is a policy success. Reports of the improvement in the foreign reserves have coincided with a spate of hefty wage claims from public sector unions.

Despite repeated suggestions that illegal activities have contributed to the increased inflows, Mr James maintains "there is no evidence that money is being laundered in Jamaica". Mr Bussières concurs: "While there is always the chance of some element of money laundering being attempted, the central bank has taken all steps to ensure that this is not happening."



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NEWS: INTERNATIONAL

There's a whole lotta coffee in ... Ethiopia

There's some good news at last in a country that has had more than its share of suffering, both natural and man-made, writes Hilary de Boerr

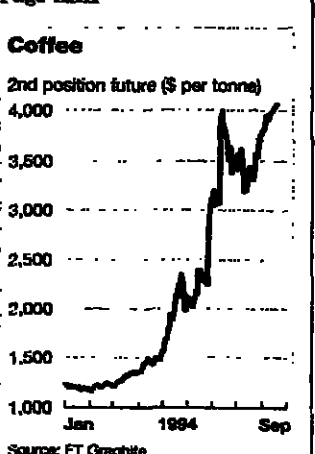
For a country usually associated with drought, famine and war, Ethiopia has for once something to celebrate. Plentiful rains have raised hopes of a good harvest after 18 months of drought. And coffee prices are soaring because of frost and drought in Brazil, with Ethiopia among those reaping the benefits.

In addition, the discovery of the world's oldest human fossils, solving the missing link between man and apes, is a source of pride to a much beleaguered people. Ethiopia earlier hit the international headlines 10 years ago, when millions starved because of persistent drought. The country was back in the news this May, when government and aid organisations were warning of a potentially worse disaster this year; early-season rains had failed and thousands were dying of hunger. An Ethiopian government delegation organised a world tour to drum up food donations.

A disaster may well be averted. Rains in much of the country have been heavy, and continue to fall. "The main season's crop harvest is very very promising. If - and it's a very big if - moisture continues for another few weeks then there will be a good harvest. At the present time there is no indication of an emergency situation in our areas in the coming months ahead," says Dr Getachew Diriba, of CARE International, one of 160 non-governmental organisations operating in Ethiopia. Aid organisations working in other parts of the country echo his remarks, but stress emergency food will still be necessary until the harvest.

Coffee farmers are also getting a big break. World coffee prices have almost trebled this year because of Brazil's misfortune. Ethiopia's farmers are therefore taking better care of their plants and sending more to the export markets. The country expects coffee exports worth \$250m (£158.2m) this year, compared with \$100m in 1993. Coffee - which originated in Ethiopia and grows wild - accounts for more than half of the country's export earnings.

Such good news stands out in a country struggling for the past three years with the transition to democracy after three decades of conflict which ended with the collapse of the



Source: FT CompuLink

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Thousands flee India's killer plague

By Stefan Wagstyl
in New Delhi

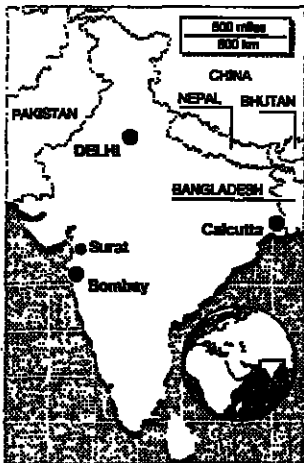
About 200,000 people have fled from the western Indian city of Surat, where plague has killed at least 44 people and left scores more sick in hospitals.

The government put health authorities in Delhi and Bombay and other cities in northern and western India on alert amid mounting fears that the exodus from plague-infested Surat might spread the deadly disease. Mr Madhusudan Dayal, the health secretary, said the government was "seriously concerned" about the threat.

Mr Dayal, who put the death toll at 44, said the situation was under control and there was no cause for alarm.

However, reports from Surat, a city of 2m people about 160 miles north of Bombay, put the number of dead at over 100, with hundreds more desperately ill. Buses and trains were crisscrossed with people fleeing their homes, ignoring instructions from the authorities not to leave the city. Police were trying to seal off the slums worst hit by the plague, where the first deaths were reported on Tuesday. Many residents stayed indoors, while people in the streets moved about with their faces covered in white DDT powder wrapped around their faces and municipal workers sprayed roads with chemicals.

Doctors in Surat said that at



least 24 people had died of pneumonic plague - a particularly dangerous variant of bubonic plague, the Black Death of the Middle Ages. Unlike bubonic plague, which is spread by the bite of an infected rat or of a flea which has previously been infected by a rat, pneumonic plague is air-borne and highly infectious. The Health Ministry in Delhi is trying to determine the exact nature of the disease and had called upon technical help from the US and Russia.

The authorities in Surat are distributing tetracycline, an antibiotic which acts as a prophylactic against plague and is also used in treating the disease. Supplies are also being made at available at railway stations in Bombay and other



A mother waits outside a hospital yesterday to admit her son, suffering from highly infectious pneumonic plague

cities to which Surat residents are fleeing. The government has rushed 10m capsules of tetracycline to the region. The outbreak in Surat fol-

lows another last month in central Maharashtra, where 81 people have contracted bubonic plague in villages hit by an earthquake last year.

Officials have as yet not established any link between the two outbreaks, the first in India in about 30 years. Surat, a wealthy centre for diamond

polishing and textiles, attracts many migrant workers. During the monsoon this summer, the city suffered floods which may have helped the disease spread.

South Africa holds its breath over Zulu split

As Shaka's descendants square up, Mark Suzman looks at the bigger issues around the power struggle

Shaka, the 19th-century founder of the Zulu kingdom, was an African Napoleon who, like his European contemporary, used his military genius to forge a new empire. In the process he caused tremendous political and economic upheaval throughout the southern African region.

As South Africa's 9m Zulus decide whether to observe today's Shaka Day, an annual commemoration of the murder of Shaka by his brothers in 1828, millions of other South Africans will be hoping the occasion does not mark the start of renewed violence in the KwaZulu/Natal province, and, by extension, cause serious damage to the spirit of consensus and reconciliation that has characterised the country's politics since its elections in April.

Although the event has been held since 1954, this year is the first time Shaka Day does not have the blessing of the Zulu monarchy. Earlier this week, King Goodwill Zwelithini announced he was cancelling the ceremonies and called instead for a period of peace and prayer to be observed by Zulus countrywide.

The decision was apparently precipitated after Inkatha supporters stormed the royal palace in Nongoma on Monday night after a meeting between the king, Chief Mangosuthu Buthelezi, and leader of the Inkatha Freedom party which has political control of KwaZulu/Natal, and President Nelson Mandela. The discussion had been



King Shaka meets Lieutenant F.G. Farewell of Britain's Royal Navy in March 1824 (as depicted in the Illustrated London News, 1902). King Shaka asked about King George, about the size of his army, the nature of his government and country, the size of his capital, and the number of his cattle and wives.

called to resolve a controversy over the king's apparent invitation to the Shaka Day celebration - a move which Chief Buthelezi objected to, ostensibly on the grounds that protocol had not been followed.

After making his announcement, however, the king set the stage for open confrontation between his supporters and those loyal to Inkatha. Dismissing the king's call, Chief Buthelezi said the monarch had no authority to cancel the

occasion, which belonged to "the Zulu nation as a whole".

As a result there is now serious concern that today's celebrations will lead to outbreaks of violence between Zulus honouring the king's cancellation request and those who have chosen to support Chief Buthelezi's stand. In a province where thousands of people have been killed over the past decade in internecine clashes between Zulus loyal to Inkatha and Zulus loyal to the African National Congress, such fears may well be justified.

Prior to the elections, the king had been associated with Inkatha, an explicitly Zulu nationalist organisation that has been dominated by Chief Buthelezi since its formation in 1975. Since April, however, the two rulers have been steadily drifting apart and King Goodwill's attitude to the ANC has thawed notably.

After his Shaka Day declaration, moreover, King Goodwill declared his desire to stay above politics, and dismissed Chief Buthelezi from his honorary role as traditional "prime minister" to the monarchy, apparently replacing him with a former regent, Prince Mswazi Zulu, who is a member of the ANC.

This move strikes at the heart of Chief Buthelezi's power base. For decades he has played on, and largely created, Zulu nationalist ideology to consolidate his own power base. In the elections he ruthlessly exploited tribal fears to drum up support.

Central to this message is the association with Shaka,

from whom both Chief Buthelezi, who is the king's uncle, and King Goodwill himself, claim direct descent. Over the years, Shaka Day has evolved into the central focus of Zulu nationalist ideology, and Chief Buthelezi and the king have traditionally presided jointly over the formal ceremonies at the Shaka monument in the town of Stanger.

Dressed in traditional leopard-skin robes, and presiding over hundreds of assegai-wielding impi regiments and thousands of ululating women, Chief Buthelezi has traditionally used the event to extol Shaka's greatness, and, by extension, his own as the modern-day successor to the warrior monarch.

By withdrawing from the celebration, the king, as the living embodiment of the monarchy established by Shaka, severely damages the event's credibility. However in doing so, he has played his strongest card, while Chief Buthelezi remains able to use both the regional

government and Inkatha's powerful organisational and patronage network to consolidate his support.

As a result, while some prominent ANC-supporting Zulus (not in the past known for their royalist sympathies) have declared themselves in favour of the king's stand, it appears that the chief has so far managed to retain the allegiance of most of the conservative tribal chiefs who comprise Inkatha's core constituency.

Nevertheless, the situation remains fluid and, as tribal tensions, both President Mandela and Mr Frank Mdlalo, KwaZulu/Natal regional premier, have made a public call for all Zulus, whether observing the ceremonies or not, to mark the day as one of "unity and reconciliation".

Meanwhile, the army has been called out to monitor the situation and the king has been evacuated from his palace by national troops and taken to an undisclosed location for the weekend.

Rebuilding work helps Lebanese economy to 8% growth rate

By Mark Nicholson in Beirut

Lebanon's economy has recovered from this year's faltering start and is on course to reach government targets of 8 per cent a year growth, according to Banque de Liban, Lebanon's central bank.

However, real wages remain depressed, prompting protests from labour and other groups, while economists say sustained high interest rates continue to tempt repatriated funds into Lebanese town treasury bills rather than productive direct investment.

Economists at Banque Audi, the commercial bank which is among the first to publish detailed economic data, said that, after reaching 7 per cent in 1993, growth in the Lebanese economy slipped back in the first quarter, recovering only in the second to raise real growth rates during the first half of 1994 to 7.9 per cent.

The bank forecasts real growth of 8-10 per cent for 1994 as a whole. Mr Riad Salame, the central bank governor, said: "From our data, the economy went through a slowdown from August 1993 to April 1994, but has been recovering since May. July and August have been particularly good months."

However, both Mr Salame and other economists warned that there were few reliable figures on the economy since the end of Lebanon's civil war

three years ago. Lebanon's reconstructed central statistical department only recently published its first economic data since 1974.

Growth estimates are therefore based on a mix of monetary aggregates, indices such as cement sales, the award of construction permits, port and airport traffic and some industrial and agricultural data.

Construction, in particular, has remained strong, with the latest central bank monthly bulletin showing cement deliveries and construction permits in July up 35 and 20 per cent respectively over the same month last year. However, the bulletin also said: "Excess supply on the real estate market has resulted in large inventories of unsold dwellings."

The bulletin said foreign trade remained sluggish, with imports and exports down 19 and 14 per cent respectively in July from a year earlier. But it said the trade deficit fell by 20 per cent in July after widening by 10 per cent in the first half.

The balance of payments recorded an overall deficit of \$27m due largely to an exceptional \$150m transfer overseas by Solidere, the property company established by Arab investors this year.

But the bulletin also said strong capital inflows and revived tourism had produced an underlying surplus of \$107m. The bank said balance of payments surpluses had

averaged \$80m a month since February.

Mr Salame said about \$10bn had flowed into Lebanon since the end of the war in 1990, the bulk of it repatriated Lebanese capital and Gulf Arab funds. Of this, he said, about \$6bn went into Lebanese bank deposits and most of the rest into Lebanese pound treasury bills. He said \$3bn had flowed in during the past year, half into T-bills.

With T-bill rates hovering at around 19 per cent, economists said these would continue to attract significant inflows of cash and interest rates look set to remain high in real terms - with domestic inflation at 10 per cent a year - while the government endeavoured to keep the Lebanese pound stable at about £1.660-1.680 to the dollar in an effort to "de-dollarise" one of the Middle East's most dollarised economies.

"We obviously need to have more money flow into productive investment," Mr Salame said. "But we don't yet have the proper infrastructure in place to attract capital into these sectors." He said substantially greater flows of productive investment were unlikely until the completion of some of the multi-billion-dollar infrastructure projects under way and the revival of Lebanon's capital markets as an effective investment intermediary.

So far this market comprises only domestic T-bills and a sec-

ondary market in Solidere shares, which have soared from their issue price of \$100 to \$170 in recent weeks. A stock market committee has been reappointed and is discussing regulatory changes necessary for the revival of a fully fledged Beirut stock market.

Mr Salame said he believed the market could begin operations within months, with as many as 10 previously listed companies being traded.

However, the fruits of Lebanon's economic growth are proving slow to trickle down to the bulk of middle- and lower-class workers in the country, whose cause has recently been taken up by labour unions and political leaders in a string of attacks on government economic policies and their reconstruction priorities.

The General Confederation of Lebanese Workers this week said it was seeking a retroactive pay rise of 88 per cent to compensate for recent price rises and the decline in real wages. But Mr Salame said that, while the government realised real wages had fallen, it would resist such pay rises unless they were matched by increased productivity. He said the government was concerned above all to contain the inflationary effects of the recent spurt in economic activity, much of it spurred by the recent award of a host of large infrastructure contracts.

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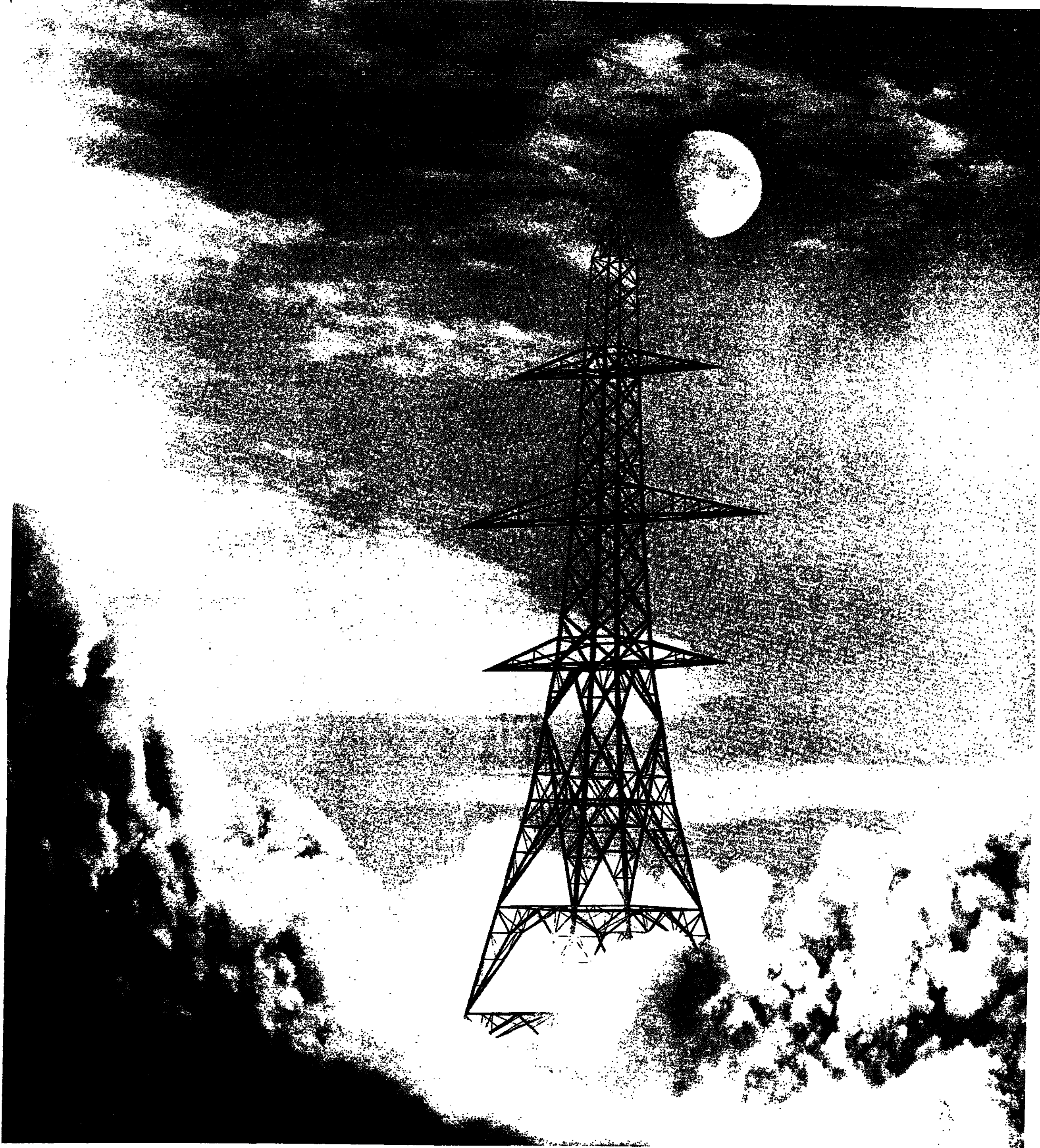
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NEWS: UK

Building societies face structural review

By Alison Smith

A far-reaching government review of the way building societies operate, including how they are accountable to the millions of customers who own them, was launched yesterday.

The consultation paper, published by the Treasury, has already reignited the debate on how to enable societies to compete effectively in retail financial services without giving them an unfair advantage over other organisations.

Mr Adrian Coles, director-general of the Building Societies Association, welcomed the paper with the comment: "Everything is up for

grabs except building societies." As mutual institutions, societies are owned by members rather than being responsible to shareholders.

Their critics - which include Abbey National, the banking group which used to be a society - say that this system of ownership means boards of directors are not accountable to members in the way boards of public limited companies are.

The Treasury raises the prospect of making societies more accountable through setting up consultative committees of members or requiring societies to reserve some board places for candidates nominated by "ordinary members".

Among the subsidiary questions is whether societies should be able to vary the existing voting system which gives members one vote each - for example to take account of the amount of their business.

In terms of streamlining societies' powers, the suggestions in the Treasury paper include:

● Changing from the current, prescriptive regime to one where societies can undertake any business, subject to a principal purpose and certain limits on their asset structure.

● Adopting a two-track approach in which some, probably small, societies continue under a restrictive sys-

tem, but others could seek agreement to operate within a more relaxed framework.

● Giving societies access to the banking sector by letting them own banking subsidiaries, or by allowing them to convert into mutual banks.

The paper makes it clear that the government does not intend to look again at the statutory controls that make a hostile takeover of a society impossible, but it does consider some liberalisation of the arrangements for mergers between two societies.

Building societies generally welcomed the discussion paper, though Halifax, the UK's largest mortgage

lender, said the relatively slow pace of progress on questions of giving the sector greater powers was "disappointing".

There was a rejection of the idea that there might be a shortfall in societies' answerability to their owners, and building societies expressed misgivings about the two specific proposals for enhancing their accountability. Halifax described these proposals as "a solution in search of a problem", and other societies criticised the idea of a consultative committee as unworkable and bureaucratic.

However Mr Peter Robinson, managing director of Woolwich, the UK's

third largest, acknowledged that there was a need for an "attitudinal change" among societies which should be ready to help ordinary members who showed interest in standing for election as directors.

Mr Peter Birch, Abbey National chief executive, dismissed the paper's accountability proposals. Among his suggestions was that customers should get an annual statement making it clear whether they were members and telling them the value of their membership. The Treasury intends to complete the review by the end of the year, and has asked for comments by November 9.

Adams to land in US today

By George Graham in Washington

Mr Gerry Adams, the Sinn Féin leader, is due to arrive in Boston today for his second visit this year to the US.

American officials confirmed that the administration had waived restrictions that would normally have prevented Mr Adams from receiving a visa because of his associations with terrorism in Northern Ireland.

His stay is limited to two weeks, with fund-raising banned. However, Mr Adams's visa allows him to visit nine cities - on his last visit, in February, he was restricted to New York.

Mr Adams will not be received by Mr Bill Clinton, the president, or by Mr Al Gore, the vice-president - unlike Mr John Hume, leader of the moderate Social Democratic and Labour party, who visited Washington this week. Mr Adams will, however, meet senior administration officials and members of Congress - starting with Senator Edward Kennedy at Boston Airport today.

Mr Ken Maginnis, one of the three-strong delegation of Ulster Unionist MPs who also visited Washington this week, said that his party, in spite of some reservations, was not opposed to Mr Adams receiving a visa, "in so far as there is a ceasefire".

But other members of his party were more critical. Mr Jeffrey Donaldson, UUP secretary, said: "We don't think it's a good idea because there is a danger that Gerry Adams's role is going to be hyped out of all proportion. ... At the end of the day it's electioneering by Ted Kennedy."

Ulster Unionists said that they had found the Clinton administration even-handed but wanted to sound "a constant note of caution" in Washington because "in our view there is a measure of euphoria which is not justified".

Women directors slam big payouts

High compensation payments in sex discrimination cases against the Ministry of Defence and extended maternity leave rights have done more harm than good to women's job prospects, the Institute of Directors said yesterday. Richard Donkin writes.

Two-thirds of women directors surveyed by the institute believed that the awards to servicewomen who were sacked after becoming pregnant had damaged women's employment prospects.

More than half thought women's job prospects had been hindered by extended maternity rights and pay.

Almost two thirds of the businesswomen said they did not believe equal opportunities for women existed, although the proportion who believed this was less than in 1991 when the IoD last carried out a similar survey. Three years ago three-quarters of those questioned thought there was inequality in the workplace.

Portsmouth Water fights price curb

Portsmouth Water is to take its dispute with Mr Ian Byatt, the water industry regulator, over the recent price review to the Monopolies and Mergers Commission.

Earlier this week South West Water became the first water company to call on the MMC to review Ofwat's findings.

Portsmouth, which has the lowest domestic water charges in England, an annual average of £80, has been ordered to hold prices rise to 1.5 percentage points below inflation - the third lowest increase among water supply companies.

Rail talks continue over weekend

Talks aimed at ending the three-month railway signalling dispute are set to continue over the weekend as the RMT transport union and Railtrack, which runs the rail network, negotiate a package of measures to modernise working practices among the signal workers.

During yesterday's 24-hour strike by signal workers an estimated 61 per cent of the rail network was open with an estimated 53 per cent of services operating normally. Plans are still in place for a 48-hour stoppage from midnight on Wednesday.

Competition call on lottery projects

A group representing arts and heritage organisations appealed yesterday for architectural competitions to be held for large capital projects funded by the National Lottery.

The arts and heritage working party, which includes representatives of the Arts Council of England, the National Heritage Fund, the Sports Council and the Royal Fine Art Commission, wants to ensure that buildings for which the lottery contributes at least £1m of capital funds are well designed, well constructed and of high quality.

C&G bid decision

Mr Michael Heseltine, the trade and industry secretary, has decided not to refer to the Monopolies and Mergers Commission the planned acquisition by Lloyds Bank of Cheltenham & Gloucester Building Society for £1.8bn cash.

Milk case deferred

A ruling in the High Court on the Dairy Trade Federation's application to seek judicial review of the government's plans for the £3.5bn milk market in England and Wales was yesterday deferred to Monday.



The search continues: prison officers and dog handlers combed Whitmoor jail in Cambridgeshire yesterday after the discovery of semtex explosive and the recent escape attempt by five IRA prisoners.

No. 10 rallies to Howard after jail semtex find

By Roland Rudd

The prime minister yesterday made it clear that he would continue to back Mr Michael Howard as home secretary following the discovery of semtex explosive in Whitmoor jail.

Downing Street acknowledged that the incident was a matter of concern for the government but stressed that the home secretary continued to enjoy Mr John Major's "full support".

However, one minister and several backbenchers privately predicted that Mr Howard may be forced to

resign. A senior member of the Conservative 1992 backbench committee said: "Unfortunately for Michael [Howard] this is one slip too many. He looks incompetent and may have to go."

Mr John Bartall, chairman of the Prison Officers' Association, called on Mr Howard to resign. "If you worked in one of Britain's prisons today and you had to face the unchecked criminality, the daily violence and the daily breakdown in control, I think you would share our sentiments," he said.

Mr Alan Beith, Liberal Democrat home affairs spokesman, urged the prime minister to take control of the situation by replacing Mr Howard as home secretary. The Labour party, however, while critical of Mr Howard's performance, stopped short of calling for his dismissal.

Mr Howard said he had no intention of resigning. "I have a job to do and I'm determined to see it through," he said.

His officials made it clear that he would get to the root of the problem at Whitmoor, the Cambridgeshire

prison that was the scene of a failed escape by five IRA terrorists and a convicted armed robber this month.

Mr Howard told journalists at Reading University in Berkshire, where he was giving a speech on race relations: "The Whitmoor incidents are being looked at, a fuller inquiry is taking place and I shall be determined to learn every lesson possible to be learned from it."

The home secretary has faced a series of embarrassing defeats in the Commons this year which have given ammunition to his opponents.

Mr Howard was forced to back down on a proposed shake-up of the criminal justice system involving a big increase in the home secretary's influence over police authorities and the introduction of contracts for justices' clerks, who advise magistrates.

Conservative peers went on to inflict five significant changes to the criminal justice bill.

In the Commons Mr Howard was forced to promise action against violent videos to head off a widely supported amendment by Mr David Alton, the Liberal Democrat MP.

Balance of payments eases City fears

By Gillian Tett, Economics Staff

Fears that economic recovery might create a serious balance of payments problem were eased further yesterday by figures showing a significant improvement in the balance of payments position.

The Central Statistical Office said the UK current account deficit was \$0.7bn in the second quarter of this year, down from the previous quarter's deficit of £1.3bn.

The deficit was considerably smaller than the City had expected, and economists welcomed it as evidence that the

UK recovery was proceeding at an increasingly healthy pace.

Mr Paul Turnbull, UK economist at brokers Smith New Court, said: "A year ago a lot of people were forecasting that the balance of payments would spiral out of control. In fact the opposite has happened."

One reason for the improvement was that exports grew steadily in the second quarter while imports fell slightly. Most analysts expect this trend to continue, not least because of the rapid recovery in Europe and other big export markets.

The other reason for the improvement was that the surplus on "invisibles" remained

at the same high level in the second quarter. Invisibles cover services, investment incomes and financial transfers.

Although the invisibles account is considered to be notoriously volatile, most City analysts had expected it to fall back in the second quarter of the year after surging suddenly in the first three months.

The surplus on invisibles was £1.7bn in the second quarter, unchanged on the first quarter and sharply up from the same period a year ago when the surplus was \$0.2bn. This flat overall figure, however, concealed a significant

shift in the different sectors. The surplus on services fell to \$0.8bn, down from £1.2bn in the first quarter, mainly because of a fall in the surplus on financial services. This drop reflected a lower surplus in the insurance sector and some weakening in activity by security markets, the CSO said.

The surplus on investment income, by contrast, rose to £2.4bn in the second quarter, up from £1.9bn in the first quarter and sharply higher than the same period a year ago when the surplus was \$0.4bn.

The main reason for the increase, the CSO said, was a large inflow of investment into the UK in the second quarter after a large flow of investment abroad in the first three months.

Mr David Helier, UK economist with Nal West Markets, said: "This reflects instability in the financial markets. A lot of people have been repatriating funds and that has dominated the flows."

Meanwhile, the deficit of lending and borrowing by UK residents other than banks and the government fell considerably to £1bn in the second quarter, down from the high level of £1.7bn in the first quarter.

Tourism body claims 12.3% stake in GDP

By Michael Skapinker, Leisure Industries Correspondent

The tourism industry is far bigger than previous estimates have suggested and produces a balance of trade surplus rather than the deficit reported in government statistics, the World Travel and Tourism Council said yesterday.

The council, which was set up in 1990 by a group of travel industry chief executives, said that tourism would account for 12.3 per cent of gross domestic product next year. The travel industry would employ 8.3m people directly or indirectly - 12.4 per cent of the workforce.

The council's figures are far higher than those in the statistics produced by government departments and tourist industry bodies. A study of tourism published by the Confederation of British Industry in May said government figures indicated that the industry accounted for 5.6 per cent of GDP and employed 1.4m people, or 6 per cent of the workforce.

Mr Geoffrey Lipman, the council's president, said previous figures took account of spending on hotels and other tourist services but did not include travel-related investment, such as building hotels and airports.

Mr Lipman said that, taking these industries into account, tourism had consistently produced a big balance of payments surplus, aided by British-based aircraft manufacture and hotel construction abroad by UK companies.

The council said that, taking these industries into account, the tourism balance of payments surplus was \$4.9bn in 1992. This compares with government statistics which recorded a \$3.4bn deficit in 1992. The council shows a surplus for every year from 1987 to 1992 - when official statistics recorded deficits.

Mr Lipman said the council - whose executive committee members include Sir Colin Marshall, chairman of British Airways, and Sir John Egan, chief executive of airports group BAA - had presented its study to Lord Astor, the tourism minister.

He said the council's figures showed that tourism was an industry which should enjoy a far higher profile in government policy and decision-making than it did.

Mr Lipman criticised the decision, announced in last year's budget, to introduce a departure tax of £5 for flights in the European Union and £10 for flights elsewhere. He said that as a successful export industry tourism should receive tax incentives rather than additional burdens.

Company surpluses break records as profits surge

By Gillian Tett

The financial surplus in the corporate sector reached record levels in the second quarter of the year, as profits rose to a new high while investment and dividend payments remained relatively flat.

The Central Statistical Office said yesterday that the level of undistributed income in the corporate sector was £17.1bn in the second quarter, 5.6 per cent higher than in the first quarter and 52.3 per cent higher than in the same period last year.

The key reason for the rise was a surge in corporate profit-

ability. Company gross trading profits rose to £21.6bn in the second quarter, 6.3 per cent higher than in the first quarter and 22.7 per cent higher than in the same period a year ago.

Much of the growth was due to the oil and gas sector, where profits were £2.9bn in the second quarter, 38.5 per cent higher than in the first quarter. The main reasons for the growth, the CSO said, were that new North Sea fields had come on stream and oil prices had risen.

Profitability, however, also rose in the non-North Sea sector, with second-quarter total

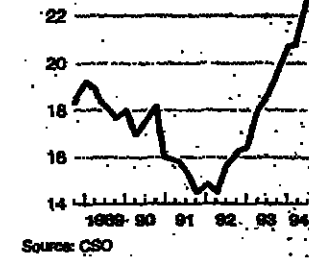
gross trading profits 1.6 per cent higher than in the first quarter and 17.3 per cent higher than the same period last year.

In spite of this rising profitability, total investment dipped fractionally in the second quarter, partly because of a reduction in public investment projects.

Meanwhile, dividend payments remained below 1993 levels. Although total dividend payments were 6.9 per cent higher in the second quarter, compared with the first quarter, they were 18.9 per cent below 1993's second quarter.

Corporate profits carry on climbing

Gross trading profits of the corporate sector, £bn



Financial balance of industrial and commercial companies, £bn



Company borrowing, however, fell back in the second quarter, indicating that many companies were using their cash to pay back previous debts.

The level of corporate borrowing from banks fell to

£2.25bn in the second quarter, 23 per cent lower than in the first quarter.

Meanwhile, borrowing from other financial institutions fell to £5.67bn, more than 40 per cent lower than in the first quarter.

Major plays for success all round the political park

Arms stretched high, fingers stabbing the sky, Mr John Major glowed with pride as cheers rolled around the crowd watching him bowl at South Africa's Alexandra township cricket ground.

It was a spontaneous gesture that revealed, for a fleeting moment, the human being inside the grey suit. What a pity, Mr Major must be reflecting that the cheers were only for his cricket skills.

The prime minister describes himself as a "sports nut". Yet he would give up sport for good in exchange for that kind of enthusiastic support for his government, dogged by the fall-out from recession, internal squabbling and ridicule of the ill-fated back-to-basics campaign.

Mr Major is unlikely to be offered a better opportunity to rise above domestic troubles and play the role of world statesman than the six-day official trip to Saudi Arabia, Abu

Dhabi and South Africa that ended with his return to London yesterday.

The Gulf visits were largely about maintaining close relationships with political and business allies, spiced by the promise of defence orders and privatisation consultation fees from the Saudis.

But the South African visit was the first by a British premier since Harold Macmillan's "wind of change" speech in 1960, which signalled the start of the white government's 34-year international isolation.

Mr Major's speech, worthy but dull, is unlikely to be remembered 34 years on. But it was well received by most shades of political opinion, and the visit was regarded on both sides as a modest success. In particular, British officials were pleased by clear indications that Mr Major's assistance impressed more than the high-flown but insubstantial rhetoric

Kevin Brown says that cricket cheers in South Africa may find an echo on the prime minister's home wicket

of President Mitterrand of France, the first western leader to visit after free elections ended white rule.

The most striking aspect of the trip was the absence of the domestic fireworks that have followed Mr Major abroad on previous occasions.

His trip to Japan and Malaysia a year ago, for example, was dominated by the question of his survival as prime minister amid acrimonious bickering between the party's pro and anti-Europeans.

Aides say the prime minister has been buoyed by the success of the UK-Irish peace process and the improved economic outlook, which he believes will deliver two more

years of solid growth before the next election. Mr Major made the economic point strongly in Saudi Arabia, telling British businessmen that prospects were better than at any time since 1945.

Talking to journalists in the garden of the high commissioner's residence in Pretoria, shortly before leaving for home, the prime minister avoided the temptation to confirm that he believed his premiership was at a turning point. "No wise politician ever says that," Mr Major explained cautiously. But the upbeat tone of the rest of his remarks told a different story, in tune with his relaxed and confident appearance.

"Politics is a series of mantraps," he said. "But there are a series of things we have been doing together for the last four years which are now beginning to come together. People are beginning to see the fruits."

Mr Major's advisers believe the first political rewards emerged in last week's ICM opinion poll for the Guardian, which put the Conservatives only 12 points behind Labour after adjusting for the factors that ICM believes caused inaccurate polling before the 1992 election.

Significantly, Mr Tony Blair, the Labour leader, also believes the Conservatives trail the opposition by far less than the 20 points to 30 points reported by many polling organisations over the last year.

Mr Major thinks he will gain further support from a successful party conference in Bournemouth next month. There will be criticism, notably over the government's law

and order record - but the prime minister's hold on power will not be seriously questioned, for the first time in three years.

Advisers say Mr Major knows there are still many problems ahead. The Northern Ireland peace process could break down, sparking renewed violence; the European issue could return to haunt the government when a bill to increase payments to the European Union is tabled later this year; the truce with the Tory rightwing could dissolve, as a brief spat with Baroness Thatcher over South African economic prospects demonstrated; and the July reshuffle has failed to end the impression of a tired and inept cabinet.

But Mr Major's position is demonstrably stronger than a year ago. He looked confident in South Africa, especially with his jacket and tie off on the cricket field. Perhaps he should let his hair down more often.

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Coal faces renewed dash for gas

By Michael Smith

The threat to coal from other fuel sources was underlined yesterday when Midlands Electricity and three overseas companies said they had reached agreement on financing a 750MW gas-fired power station on Humberbank. Construction of Humber Power will begin immediately.

As with several other planned gas stations, plans for Humber Power were put on hold after an agreement in February between the electricity regulator and the two largest UK generators to peg prices in the wholesale power pool.

Yesterday's announcement dashes coal industry hopes that the pricing agreement would end the so-called "dash for gas". Further gas-fired power stations are also being considered.

British Gas is thought to be considering whether to participate in a 1,200MW station at Seabank, near Bristol, while Eastern Electricity is negotiating on a 350MW station at Kings Lynn, Norfolk.

The Humber Power station alone could displace 2m tonnes of coal a year from the market when it is completed in April 1997. This would rise to more than 3.5m if the project's partners build a second phase of the station, taking the

full capacity to 1,200MW. Midlands Electricity has taken a 25 per cent stake, investing about £11m on completion in 1997. It forecasts the investment will provide a real post-tax return of more than 15 per cent. The company will also buy 174MW of the station's output.

Midlands' partners are IVO of Finland (30 per cent), ABE, the international engineer (20 per cent), and Tomen, the Japanese trading company (25 per cent). IVO will operate the station and ABE will be the turnkey contractor.

Like Midlands, IVO and Tomen have entered 15-year hedging contracts for output from the station. This is the first time that companies other than regional electricity concerns have entered long-term contracts of this nature.

IVO and Tomen said yesterday that they expected to be trading in the power contract market "in due course".

Mr Kari Huopalahti, IVO group director, said the contractual structure which made the project possible represented a step forward for power generation in the UK.

Gas will be supplied by Total Oil Marine and Elf Exploration. Project credit facilities of £520m were arranged by NatWest Markets and Union Bank of Switzerland.

PM probed on NHS chief's Bupa job

By Alan Pike, Social Affairs Correspondent

The government yesterday faced demands to explain whether the prime minister's approval had been given for Sir Duncan Nichol, former National Health Service chief executive, to join the private health sector.

Sir Duncan - who left the NHS in March - is to become a board member at Bupa, Britain's biggest private healthcare organisation, which is involved in partnerships with public-sector hospitals.

Mr David Blunkett, shadow health secretary, wrote to the

government asking whether the approval of Mr John Major had been sought and given for "one of the architects of the NHS market-led changes" to join the Bupa board. He said the move appeared to be a "blatant breach of civil service guidelines" on the employment of former senior officials.

The strength and range of reactions to Sir Duncan's appointment showed the continuing power of health to explode as a political issue.

Opposition MPs and health union leaders accused him of jumping ship, blurring the distinction between public and private provision, and exposing government ambitions to privatise the NHS. But the Independent Healthcare Association, which represents the private sector, congratulated Sir Duncan on taking a "grand step towards a mixed market in healthcare".

Sir Duncan stressed that he believed the private sector could complement the NHS. The central issue, he said, was that if private hospitals attracted more work they would do so under public contracts.

"If those who spend the money choose to contract part of the money out to a service

in the private sector, they retain control of it," he said on BBC Radio. This did not in any sense undermine the NHS.

Bupa already has some partnerships in place with the NHS, and is involved in discussions with up to 30 hospitals and health authorities about further possibilities.

An agreement was signed in the summer with Bradford Hospitals Trust for Bupa's first big capital project in the NHS - a proposed £2m private-patient unit in the grounds of a public hospital, with the NHS receiving rent based on the unit's revenue and profit. Last month a partnership was

agreed between Papworth NHS Trust and Bupa's Cambridge Lea Hospital to pioneer laser heart surgery.

Mr Peter Jacobs, Bupa chief executive, said yesterday: "There are no losers in co-operation between the public and private health sectors. It is not about privatisation."

He hoped Sir Duncan's arrival at Bupa would help demonstrate the value of the two sectors working together. "But there is a need for a culture change in parts of the NHS - some people do not like the idea of NHS money being spent outside the public system."

Arthur Andersen, the UK's third-biggest accountancy firm, is to join forces with Binder Hamlyn, formerly the eighth biggest, after an agreement signed yesterday. A formal announcement is to be made on Monday.

Andersen entered talks with Binder earlier this year after developing plans in secret since last October. It is understood that the group will have annual fee income of about \$500m.

The agreement, which marks one of the biggest consolidations in the profession for several years, will prompt a string of new international partnerships across the UK sector.

Binder Hamlyn, which is expected to retain its name in the new group, will join Arthur Andersen's international grouping and leave BDO International. Stoy Hayward will take its place, leaving a vacancy at Horwath International, which will be filled by Clark Whitehill.

Not all the semi-autonomous offices of Binder Hamlyn will be involved in the new group. Stoy Hayward and Grant Thornton have already linked with regional offices of Binder Hamlyn which did not wish to join the new group.

Binder Hamlyn's offices in the London region, Leeds, Manchester and Newcastle are expected to join the new group. Half the total fee income for Binder Hamlyn comes from the Leeds and London offices.

The move will give Andersen access to about 100 quoted companies audited by Binder. It is understood that the new group will come into operation next month. Former Binder Hamlyn offices which have not joined the group will stop using the Binder name.

Regional doubts about the link emerged soon after the initial approach. A managing partner at a regional office said difficulties would occur in terms of the size and culture of the organisations.

Nurses stand firm on pay bargaining

By Lisa Wood, Labour Staff

Representatives of nurses and midwives said yesterday that they remained resolutely opposed to the government's calls to end national pay bargaining - and vowed to continue fighting for an 8.3 per cent increase.

Organisations representing more than 600,000 staff warned that dropping a national award and seeking locally negotiated deals involving National Health Service trusts would lead to widespread turmoil.

Ms Maggie Dunn, chairwoman of the Nursing and Midwifery Staff Negotiating Council, said staff would "vote with their feet", leaving the NHS in droves, while others might take industrial action.

Earlier this week details were leaked of the Department of Health's evidence to the independent review body which recommends pay for nurses and midwives. The department urged the review body not to recommend across-the-board rises but instead to leave employers with "maximum scope" for local action.

The Royal College of Nursing claims local pay bargaining would require the 420 trusts - which cover ambulance, community and hospital services - to recruit thousands of new administrators.

Mr Philip Gray, director of labour relations at the RCN, said: "National pay bargaining machinery is extremely efficient."



On call: nurses' representative Maggie Dunn yesterday with joint negotiator Christopher Cardwell

Witness tells of Walker quandary

By John Mason, Law Courts Correspondent

The integrity of Brent Walker, the property and leisure group, would have suffered if the company had been forced to announce that profits had been wrongly declared, a former non-executive director said at the Old Bailey yesterday.

Mr John Lewis, a board member for most of the 1980s, was giving evidence in the trial of Mr George Walker, the company's former chief executive, and Mr Wilfred Aquilina, a former finance director.

The two men, accused of fraudulently boosting the company's profits by £17m between 1984 and 1987, deny charges of theft, false accounting and conspiring to falsify accounts.

Mr Lewis said that in the 1980s boom, unlike today, property companies were judged less by their profits record and more by their total asset value.

He agreed, however, with Mr Peter Rook QC, prosecuting, that the bulk of Brent Walker's property acquisitions were in the late 1980s. Had the company announced in 1988 that earlier profits had been overstated then the markets' reaction would have been adverse, Mr Lewis said.

Earlier, Mr Lewis told the court how Brent Walker's banks always put pressure on Mr Walker to use his personal wealth to back the company's expansion. This occurred in cases such as the development of Brighton Marina.

Mr Lewis said he had always opposed this policy, arguing it was wrong for a public company to operate in this way.

He said: "Whenever I learnt about it I objected to Mr Walker both on the basis of the company's interest and his own."

"I did not think it was right for a public company with outside shareholders to need to call on one shareholder's resources to support a business proposition. It could either stand up or it could not."

Mr Walker ignored his objections. Mr Lewis said: "I thought he was being silly. I told him that many times. His attitude was that the banks required it and that we could not do the deal without him putting up money - to which my retort was perhaps we should not be doing the deal."

Mr Lewis was the last of 71 witnesses to give evidence in the trial.

The jury was told that Mr Aquilina had decided not to go into the witness box to give evidence.

The trial continues on Monday with the prosecution's closing speech. The jury is set to retire to consider its verdicts on October 17.

Court backs Nadir plea to block Polly Peck sell-off

By Jim Kelly

A lawyer representing Mr Asil Nadir said yesterday that an interim court order had been made in Istanbul preventing administrators from selling any assets of Polly Peck International in Turkey.

Mr Nadir fled to Cyprus in May 1993 while facing 13 charges of theft and false accounting involving £34m.

The administrators in London yesterday said that they had not seen full details of the order and therefore could not comment on its potential effect on the administration.

However, they added that they thought the move was "the latest in a series of spoiling tactics adopted by Asil Nadir to delay the progress of the administration". They stressed that the action would

not "deter them from their responsibilities to PPI creditors".

Mr Zaki Inanli, representing Mr Nadir, said the interim order had been given by the court at Kucukcesmece, a suburb of Istanbul, on September 16. He said the order was based on the legal opinion that Turkish and British insolvency laws were contradictory and that the PPI administrators

therefore had no legal status. Mr Inanli said that the action, brought by Mr Nadir, aimed to annul all transactions made so far by the administrators in Turkey. He said the case would continue after the interim order. He added that the fugitive businessman had brought the case because the administrators' actions would have a negative effect on the Turkish economy.

Mr Nadir has run a campaign in Turkey to win public support against the administrators and prevent them from disposing of the remaining PPI companies in Turkey and northern Cyprus.

Among the assets of the now bankrupt fruits-to-electronics conglomerate is Meyna, the Turkish fruit and packaging business which contributed most of PPI's reported profits

in the near and Middle East. Last year the privately owned Ozgorky Group of Izmir, Turkey, was in talks with the administrators to buy the company.

The administrators for PPI - who were appointed in 1990 - are Mr Michael Jordan and Mr Richard Stone from Coopers and Lybrand and Mr Christopher Morris of Touche Ross.

Salmond tells government to 'let the people choose'

Ulster-style deal for Scots urged by SNP

By James Buxton, Scottish Correspondent

The government was urged by the Scottish National party yesterday to offer Scotland the same degree of self-determination over its future as it has promised the people of Northern Ireland.

Mr Alex Salmond, SNP leader, said in his keynote speech to the party conference in Inverness that if popular sovereignty was right in the North of Ireland, "how can it be wrong in the nation of Scotland where the process of change has always been peaceful and always will be peaceful".

He added: "If the London government is not prepared to openly declare that it has 'no selfish or strategic interest in Northern Ireland', then let them declare the same for Scotland and make provision now for the people to choose."

The SNP, which had its 60th anniversary this year, has been in celebratory mood at its conference, following unprecedented success in this spring's regional and European elections. It won control of two of Scotland's nine regional councils and took a second seat in the European elections with a

record 33 per cent of the Scottish vote.

Mr Salmond said success had been characterised by total unity in the party that had not always been obvious in the past. "That's the way it's going to be in the next two years [up to the general election] and woe betide anyone who attempts to put personal vanity before the unity

of his party," he warned. Mr Salmond told the party it had to represent both the Protestant and the Catholic traditions in Scottish society. "These traditions have jointly helped forge our national identity," he said.

This was a veiled reference to the party's role in the Munklands East by-election in June where it became identified with the Protestants in a campaign that was polarised on sectarian lines.

Mr Salmond compared Mr Tony Blair, the leader of the Labour party - the SNP's main rival in Scotland - with the 18th century South Sea Bubble, when companies were floated on the stock exchange before their purpose was determined.

Mr Blair was "the new southern bubble, floating along on hot air, sound bites and photo-opportunities, the party whose purpose will hereafter be determined".

He said Mr Blair had "taken that extra mile into Tory territory - there is nothing to choose between Toryism and Toryism". If Labour's commitment to devolution ever became embarrassing, he said, it would soon "join the other junked pledges in the dustbin of Labour policy".

Strategy to ease concerns of business sector outlined

By James Buxton

The Scottish National party is to concentrate on convincing Scots that transition to independence, the party's goal, would be simple and painless. It also aims to lay to rest widely held misgivings about the reality of an independent Scotland.

It will particularly focus on persuading people in the business community that independence would be advantageous.

The party yesterday unveiled a strategy for the two years before the next general election which entails building on the successes gained this year in the regional and European elections. It is currently second to Labour in the Scottish opinion

polls with 24 per cent of the vote compared with Labour's 55 per cent.

Its next electoral target will be winning as many councils as possible in next April's elections to Scotland's new unitary local authorities, which are to replace the two-tier system of councils in 1996.

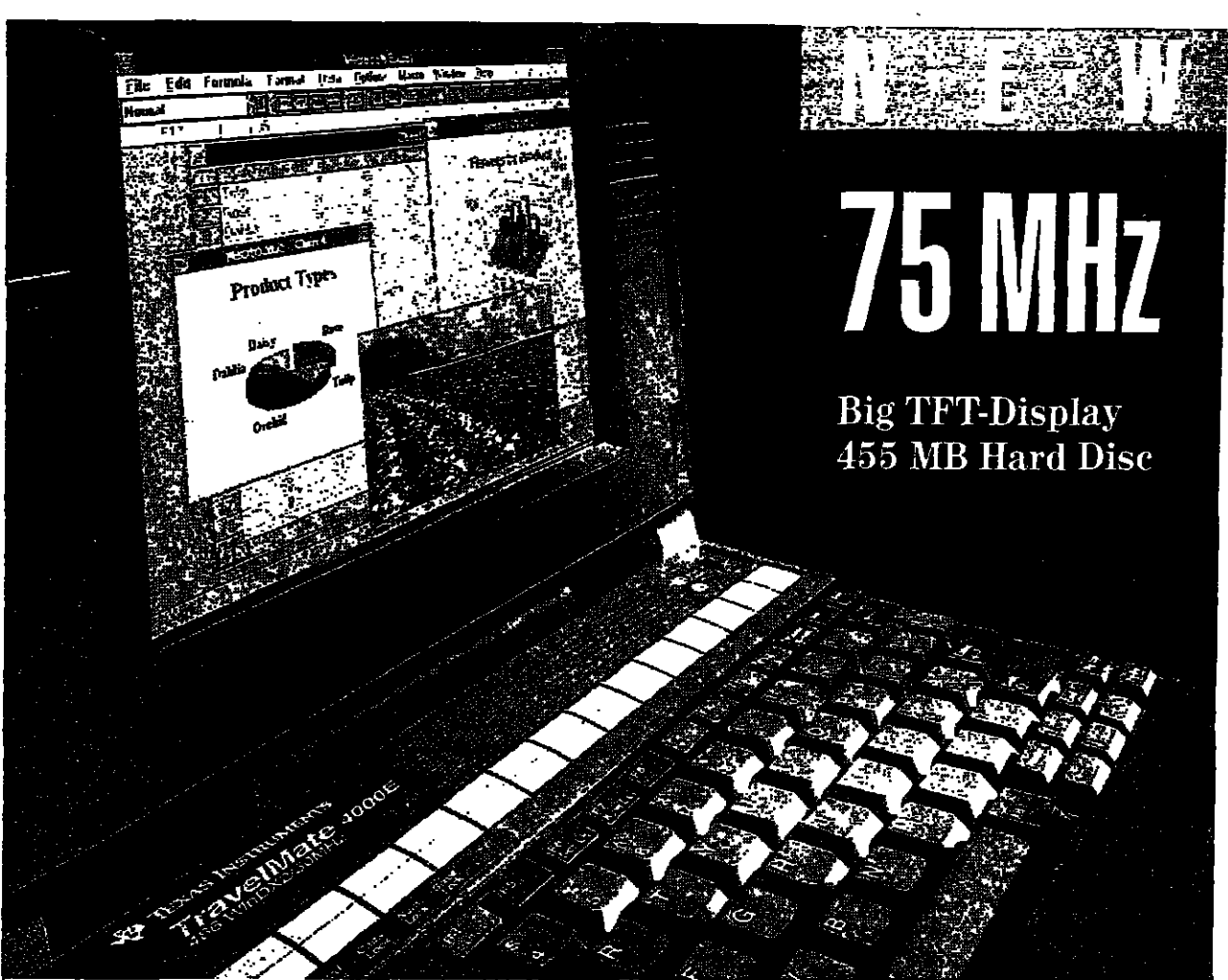
The party is to establish a committee under Mr Allan Macartney, who became MEP for north-east Scotland in June, to devise a detailed exposition of the transition to independence.

The SNP's opponents have argued that if Scotland seceded from the UK it could not become a separate member of the European Union without difficult negotiations

and several years' delay. A second group will devise arguments and initiatives to reassure sections of Scottish society about both the transition and the reality of independence.

Few senior figures in the Scottish business community publicly support the SNP although the party has support among people in smaller businesses.

Mr John Swinney, the party's publicity director, said: "We want to create confidence in the business community that the SNP has a message for them that can be delivered. We may also be able to tailor our policies to their needs on the basis of what they tell us."



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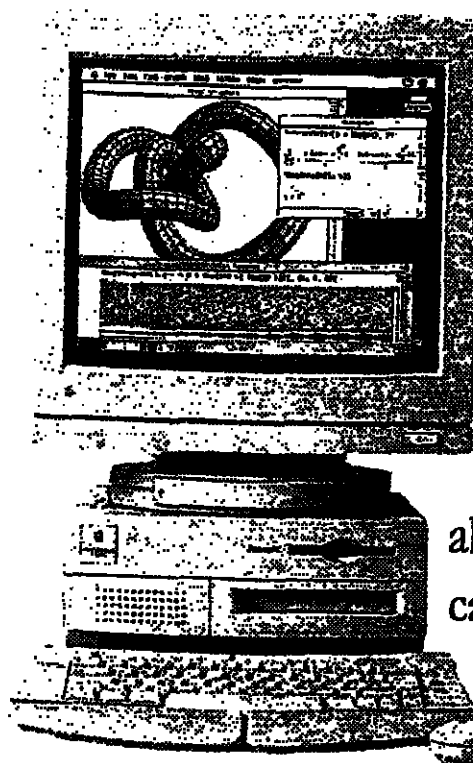
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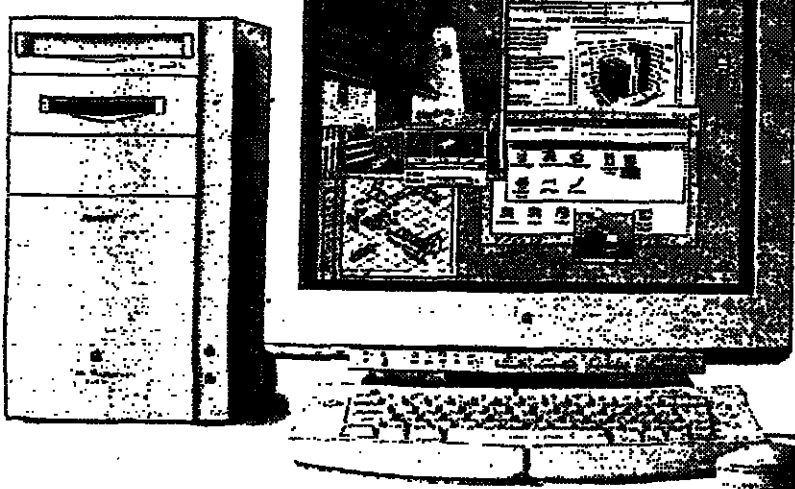
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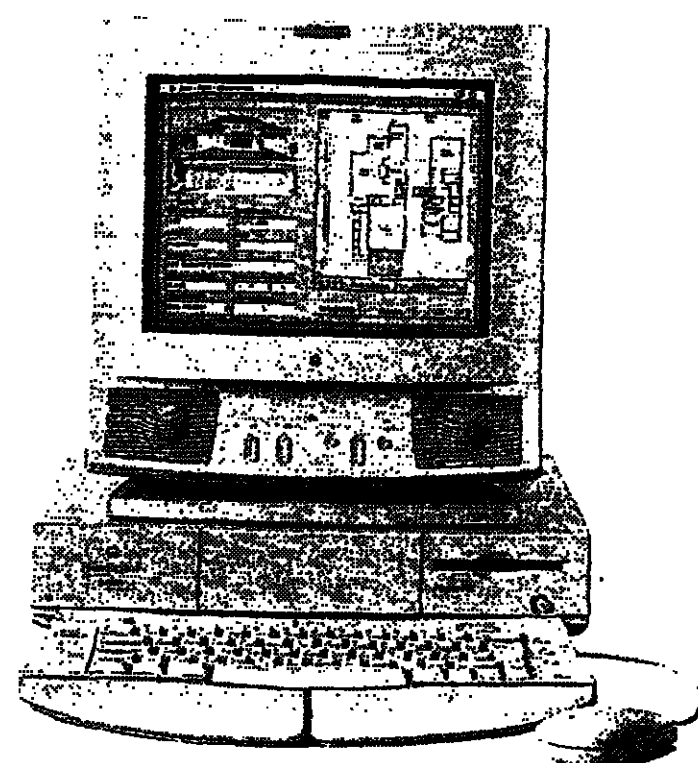


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FINANCIAL TIMES

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Saturday September 24 1994

An economic evolution

When a species has taken more than 5m years to evolve, it is foolish to expect much to change in a few years. Thus John Major's grand predictions for the UK economy differ little from those of his immediate prime-ministerial ancestor. His promise of a long steady recovery would prove more reliable, however, if the UK economy had since evolved further.

In his speech in Saudi Arabia on Monday, Mr Major declared that the UK "was at the threshold of an economic recovery unlike any we've seen since the second world war". Margaret Thatcher greeted a similar dawn in March 1983, declaring that the UK was "better placed to recover and make good profits and give new jobs than it has been for a very long time. The economy is sustainable."

Uncovering relics of a bygone era makes one sceptical about the scope for rapid human development. Both leaders stood low in the polls, having received little credit for more than two years' slow recovery. If anything, today's embattled prime minister is more cautious: Mrs Thatcher was speaking in the eighth quarter of the early 1980s recovery, while the rebound in UK output growth is now into its 10th quarter.

On the face of it, Mr Major's optimism also has a more solid basis in the economic statistics. Data released yesterday confirm that the UK grew by 3.8 per cent in real terms in the year to July, significantly above its long-term trend of about 2.5 per cent.

There has been little sign so far that capacity constraints will turn higher growth into price and wage pressures. Retail prices (excluding mortgages) picked up very slightly last month, but the July index was only 2.3 per cent higher than a year earlier.

Wage-price spiral

Similar records were being broken at the time of Mrs Thatcher's pronouncements. Retail price growth briefly fell to an annual rate of 3.8 per cent in March 1983, the lowest in 15 years. Low inflation had come at a high price, especially in manufacturing employment, but the shedding of labour and technical improvements were to provide rapid growth in productivity until the middle of the decade. By then, however, the ingredients of a traditional UK wage-price spiral were already in place.

Will the current recovery meet the same fate? Perhaps not. Although the many similarities between this recovery and the last one are too often forgotten, there are clearly encouraging contrasts as well. None guarantees that the "boom and bust" cycle will fail to recur, but this time it might take

longer to appear. The two most important differences are the trend in the balance of payments and the continued slow pace of wage growth. UK exports picked up more quickly after sterling's devaluation in September 1993 than many expected.

A broad range of trade data portray a UK tradeable sector reacting to sterling's fall as the most optimistic textbooks would predict. In the passenger car industry, for example, the volume of vehicles produced for export was up by nearly a fifth on last year in the three months to July. That compares with a mere 3 per cent rise in the volume produced for buyers at home. The UK consumer of the 1990s is a more calculating beast than his credit-hungry cousin of the 1980s. Although the main component of the recovery to date, consumption growth has been cautious throughout. Recent data suggest even that momentum may be beginning to run out.

Lower savings

True, yesterday's national accounts data confirm that households have been slowly cutting back on precautionary saving as the recovery continues. But those lower savings merely allowed households to maintain their existing spending, despite the fall in disposable income produced by April's tax rises.

In short, it is difficult to see the seeds of another damaging boom in the developments of the past two and a half years. For the good news to continue, the extra competitiveness won by sterling's exit from the ERM must continue to be combined with stable domestic inflation. In the 1980s, most of the hard-won gains in competitiveness were distributed as real wage increases, not profits. But if the long-term unemployed are ever to see a real change in the UK economy, this must happen again. So far, both employment growth and investment have lagged behind the rest of the economy. The chances that either or both will pick up in the future depend heavily on the stability of the government's macro-economic policy. The commitment to stable and sustainable growth has certainly been vociferously presented. The chancellor, for one, seems determined to tread a slightly different path from that followed by predecessors in similar situations.

Yet an economy enjoying stability is rather less exciting than one driven by over-expanding credit. Wage growth is low and the employed are less sure that their jobs will last. The main risk must be that the politician's desire to win votes will triumph over hopes that a new species of chancellor has been born.

The drums roll, the curtains no longer made of iron) part and . . . out of Russia comes President Boris Yeltsin, walking on a tightrope. Russia is a great country for high-wire artists, real and metaphorical. Mr Yeltsin, in Britain this weekend and the US next week, is in that tradition.

He will feel at home with John Major and Bill Clinton: he is as unpopular as they are, probably more so. Mr Yeltsin leads a sullen country, many of whose people feel abused playthings of corrupt or ineffective politicians, rapacious bureaucrats and criminals.

Yet at the same time he presides over signs of revival in parts of the economy: Russia is finally showing that it might realise the promise it has long held out.

Mr Yeltsin's unpopularity is, of course, a price any politician in his job would have to pay, though he may have increased it through erratic behaviour and increasing remoteness.

And the atmosphere in Russia does seem to have changed in the year since the countdown began to the violent confrontation at Moscow's parliamentary White House. On Tuesday, Mr Yeltsin returned from a five-week holiday at his Black Sea dacha - punctuated only by a trip to Germany to observe the withdrawal of Russian troops - to find an altogether cooler political climate.

It is too soon, however, to stop worrying about the course of events in Russia. The hot autumn promised by the opposition may yet arrive. Almost every opinion poll shows a turning away from democrats and growing or sustained approval of nationalist and communist themes, if not parties and individuals.

Pulling of the electorate in the Moscow suburban constituency of Khimki for a by-election next month shows an electorate whose main complaints are the number of immigrants in their area, the ubiquity of the conspicuously rich and the ineffectiveness of the government.

The opposition has promised to bring down the government in parliament - which re-opens next week - and may use the debate on the budget to do so.

Leaders of harder-line opposition parties have been in conclave. While they evidently cannot agree a common presidential candidate against Mr Yeltsin, they nevertheless have in former vice-president Alexander Rutskoi a passably charismatic figure round whom they could cluster.

Mr Rutskoi and his comrades have little more to offer on the economy than statist control, a war on crime and credits for all. But their policies do not have to be coherent to prove popular, if they mount a strong campaign.

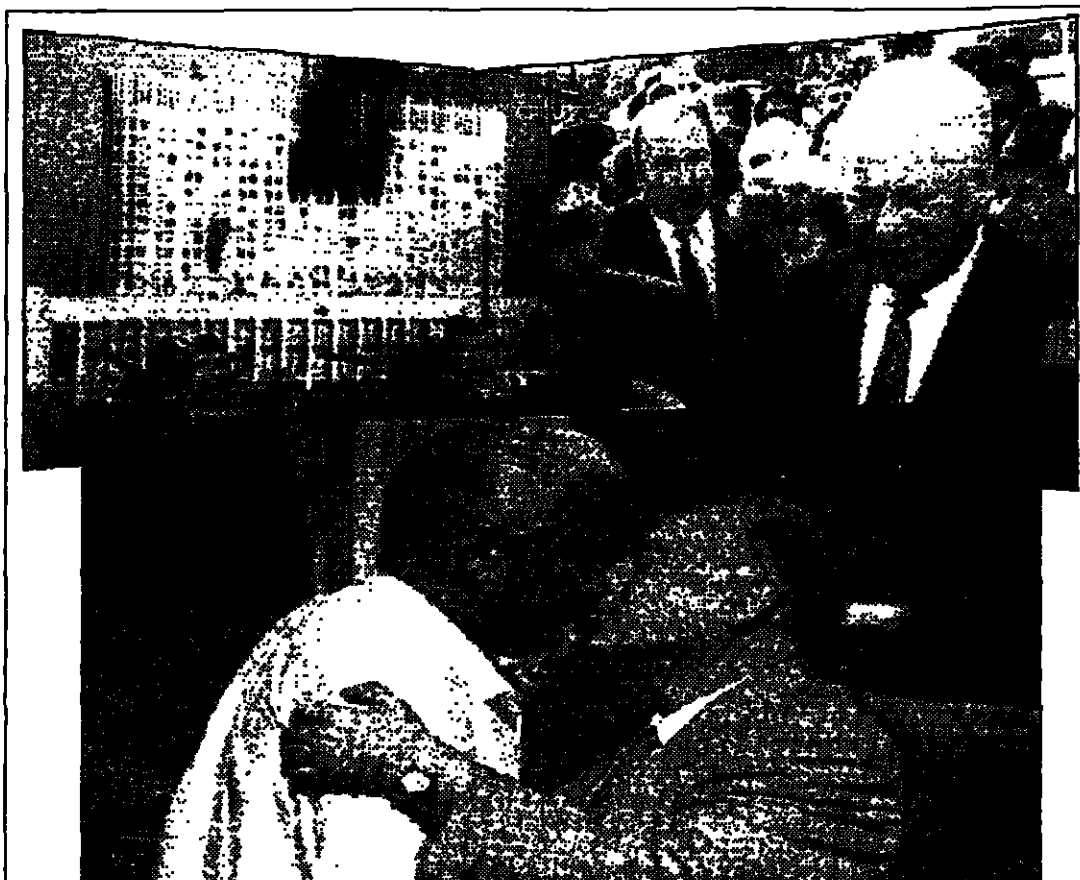
As if recognising this, Mr William Perry, the US defence secretary, sounded a caution earlier this week. He said the Pentagon's nuclear posture review had concluded there was a "small but real danger that a reform in Russia might fail and a new government might arise hostile to the United States, still armed with 25,000 nuclear weapons".

Mr Perry seems to mean what he says: the danger is real but it is seen as small - and official Washington will stress to Mr Yeltsin how pleased it is with US-Russian military co-operation, with joint approaches to Bosnia and the Middle East, and with the progress of economic reform and the evident stability in Moscow.

Nevertheless, Mr Perry's speech

Boris Yeltsin will need all the balance and ballast he can muster if Russia is to exploit the first signs of recovery, says John Lloyd

The high-wire act continues



Then and now: top, the Russian parliament, ablaze, and Yeltsin under pressure on the streets of Moscow; below, a relaxed Yeltsin greeting prime minister Victor Chernomyrdin at the president's summer residence in Sochi

shows how much he thinks there is still to be done - and this will be much of the content of the talks between Mr Yeltsin and Mr Clinton.

The US thinks Russia is lagging in reducing its nuclear weaponry, and that it is lax in guarding it. It will propose that Russia stops making plutonium, builds a new storage facility for the fissile material taken from dismantled weapons, and makes a better count of the weapons it has. Mr Clinton will promise to work on Congress to maintain the "Nunn-Lugar" funds - around \$200m put up to aid nuclear arms reduction - as long as the Russians show willingness to use them.

Russia, however, is resentful of western suspicions. It is also itself suspicious of a Nato, which lacks the constraining presence of the Warsaw Pact at the end of its gun sights, and is giving a broader welcome than Russia would like to its former central European allies.

Mr Yeltsin is likely to use his UN General Assembly speech on Monday to call for a reduction in arsenals other than the superpowers - which means those of the UK and France. He will raise, with both Mr Major and Mr Clinton, the view that the Conference on Security and Co-operation in Europe is a better vehicle for security than Nato.

But Russian suspicions run deep.

Mr Yevgeny Primakov, head of the Federal Intelligence Service (the former first directory of the KGB), argues the military, political and economic re-unification of the former Soviet states (except the Baltics) is now inevitable - and is the only way to safeguard the independence and democratic character of their new regimes.

If, says Mr Primakov, the west acts as if this is a neo-imperialist thrust, the danger is both sides will retreat into *laagers* like those of the cold war. This danger is the greater, says the country's top spy, because the west sees it as in its interests to have a weak and divided space where once the Soviet Union existed - not understanding that a new, non-coercive union is the only guarantee of its security.

Russian politicians are conscious of their diminished world role and thus are more insistent in demanding that their "sphere of influence" be respected. They are glad the US is trying to set Haiti to rights because they argue that their own backyard - Armenia, Azerbaijan, Georgia and Tajikistan - needs the similar robust policing.

The trouble for the west lies in learning to distinguish between robust policing and undermining. Ukraine, the other major state of the former Soviet Union, hovers

between two possible courses. It could choose a reformist course which would strengthen its real independence. Or it could try to throw itself on the mercy of a Russia which keeps it supplied with cheap energy and provides markets for its low-quality goods.

Russian politicians are increasing their efforts to conclude comprehensive treaties with Ukraine on a range of issues - including the disputed Black Sea Fleet - while the smaller country stalls, knowing it will deal from a weak hand.

Similarly, Russia responded to the signing this week of an \$8bn contract between Azerbaijan and a group of major western oil companies by challenging Azerbaijan's right to dispose of the contents of its continental shelf. Its challenge may or may not be pushed to the extent of scuppering the deal. Mr Major will want to raise the issue, since BP is the lead contractor - as will Mr Clinton.

Underlying everything, as always, is the economy. Russia's economy looks in better shape than it has since independence. Inflation was down to a monthly rate of 4 per cent in August and the government is holding the budget deficit within the 10 per cent of GDP set by the International Monetary Fund. Better, investment really is com-

ing into Russia - in two forms. First, the sheer rock-bottom prices which Russian assets commanded when they were pulled out of state control are proving increasingly attractive to portfolio investors. Even if many of the shares are worthless, investors have concluded that others, especially in the energy sector, utilities and telecoms, are among the world's best bargains. Mr Sergei Alexashenko, the deputy finance minister, estimates that at least \$200m a month is now coming in.

Second, increasing numbers of large, mainly US companies are setting up production bases, including: ● Caterpillar, which is undertaking two joint ventures with Russia's biggest engineering companies, ZIL and Uralmash;

● Polaroid, which has seen sales soar as the instant picture craze catches on; ● and Bayer, which has just started making Aspirin in Moscow. Increasingly, the conventional wisdom is that the reforms are irreversible and that, even if the road is rocky, fortunes can still be made with nerve and patience.

For the government the next stage of reforms - if the IMF and the World Bank put up the \$10bn the Russians want - is to balance budget expenditure and move to stabilise the currency early next year. The gleam in its eye is of genuinely low inflation in 1995, with the beginnings of a strong, broadly-based recovery by the end of the year and rapid growth by 1996, when elections are due.

By that time privatisation of state assets will be all but complete, and it is not wholly utopian to believe that Russia could end the millennium as one of the world's faster growing economies. The delivery of western support to make this vision reality will form part of Mr Yeltsin's discussions in Washington next week, and will be discussed at the annual meeting of the IMF and World Bank.

So the conventional wisdom may be right, and becomes more likely to be so with every day that the situation remains stable. But it is not certain.

Secretary Perry's "small but real" risk reflects the increasingly resentful section of the populace which feels left aside.

The government has stayed within the limits agreed with the IMF by slashing expenditure on everything, including on commitments like wages. Huge areas of Russian public life - health, social security, law and order, education - are starved of funds, and the bodies responsible for these areas reduced to patching things together, taking bribes or just giving up.

Great Soviet institutions have become ruined hulks. Moscow State University's classrooms crumble; many of its curricula are unchanged since Communist times; its teachers are materially poor - but its students, or some of them, desperately strive for an education.

The Bolshoi Theatre opened its new season on Thursday night with Tchaikovsky's Queen of Spades. The production was antiquated; the costumes less than gorgeous; a huge row ragged backstage about money - and the singing was miraculously good.

Will Russia make it? Probably, in its own rickety, brilliant, arrogant fashion. Mr Yeltsin must seek to explain that way to his bemused friends, and hope they stick with him on the rocky road yet awhile.

MAN IN THE NEWS: Gérard Longuet

Minister in a morality tale

Far from being a source of relaxation, Gérard Longuet's Riviera villa is proving his biggest ever political headache. It could even spell the end of a bright career that some observers were projecting could make him prime minister next year.

Mr Longuet, minister for trade, industry, posts and telecommunications, is the most powerful politician to be hit so far by a growing wave of allegations concerning official and corporate corruption in France.

He is not the only one. In July such allegations led to the resignation of the communications minister. This week there were reports that the sports and youth minister is under investigation for having received money indirectly from pharmaceutical companies when she sat on the health ministry's drug approval committee.

Mr Longuet is suspected by a judge, Mr Renaud Van Ruymbeke, of allowing the building of his holiday house in St Tropez to be subsidised, to the tune of more than FF1m, by a contractor from Lorraine. The latter has carried out big public contracts in Lorraine, where the minister also happens to be president of the regional council.

In a report to the justice ministry leaked this week, the judge suggested that the contractor may be guilty of "misuse of corporate funds" and Mr Longuet of "receipt" of such funds.

Mr Longuet acknowledges that there may have been a cost over-

run, but says the judge has exaggerated it. In any case, he contends that because the allegations do not concern his public responsibilities - in 1989-90 he was neither minister nor president of the Lorraine region - he has no intention of resigning.

even if formally charged. The contractor, for his part, says he misallocated on a FF2.5m fixed price contract, and therefore he had to pay the difference.

Now, friendly contractors are said to have long had a habit of providing favours for corporate or political notables. But it is a sign of the French public's growing sensitivity to the appearance - not necessarily the fact - of corruption that the Longuet affair has caused such a stir.

The more moralistic mood started as a reaction to repeated scandals that helped the Socialists lose power last year. It has been fuelled since by a rash of corporate corruption allegations, some of them involving members of a conservative administration pledged to restoring ethics in government.

The Van Ruymbeke report puts Mr Pierre Méhaignerie, the justice minister, on the spot. Under the French system it falls to him to decide whether to have a judge investigate his cabinet colleague.

His dilemma is shared even more acutely by the prime minister. Before taking office, Mr Edouard Balladur claimed the advent of a "liberal" government would help root out corruption by privatising state companies and lessening the links between the state and business. He also said any minister facing formal charges should resign - and this month he set up a commission to report on the ethics of links between politics and business.

On the other hand, Mr Longuet is crucial to the RPR Gaullist prime minister's election strategy for the Elysée next spring. To offset the bold that his presidential rival, RPR leader Jacques Chirac, has on the Gaullist machine, Mr Balladur is counting on his coalition partner,



the UDF, to back him in preference to its nominal leader, Mr Valéry Giscard d'Estaing.

So far the strategy is working well - but mainly thanks to Mr Longuet, whose Republicans, with 109 seats in parliament, are the largest component of the UDF federation. He might be rewarded with the prime ministership next year, if Mr Balladur were to win the presidency. But there might be no Balladur victory if Republican sentiment were to change as a result of Mr Longuet leaving government.

Certain new factors dispose today's France towards corruption. One is the trend over the past decade to decentralise more power to the regions, placing more power to award public contracts in the hands of more people.

That more corruption cases are hitting the headlines these days may be because a long-servile magistrature is at last doing its job. That, at least, is the contention of Mr Méhaignerie, who yesterday wel-

comed the fact that businessmen were at last beginning to fear the law. "Such fear is the beginning of wisdom," he said.

French business's initial reaction to investigations was indignant. Many captains of industry, and Mr Longuet himself, leapt to the defence of Mr Didier Plesau-Valencien, head of Schneider, when he was briefly detained in a Brussels prison, without even knowing what the charges against him were.

However, two-thirds of the businessmen interviewed in a recent poll said many companies were indulging in illegal practices and favoured an Italian-style "clean hands" crack-down on corruption.

The Patronat employers federation has now followed up its own study of corporate ethics, the legal responsibilities of senior executives and non-executive directors, business links with politics and desirable changes in the French penal procedure. In a somewhat utopian vein, Mr Méhaignerie yesterday voiced the hope of getting corporate money out of French politics altogether.

Recent years have seen more regulation and transparency in the funding of French political parties. Before 1988 - just as in the US before the 1972-73 Watergate scandals - corporate donations to political parties were illegal, but widespread. A 1990 law placed limits on what companies could give and on what candidates could spend.

This has been enforced. For exceeding the limit in 1993, Mr Jack Lang, the former socialist education and culture minister, lost his parliamentary seat. As a result, "we have drained some of the money out of politics", says Mr Guy Carcassonne, a Paris law professor who helped the Rocard government design the 1990 law.

Long term, therefore, France may be slowly cleaning up its act. But at least in the coming presidential campaign, corruption is likely to be a big theme.

David Buchan

HULL

A CAPITAL LOCATION!

Just as its Port is a locomotive for the local economy so sets the City of Hull as the dynamic business capital of Humberside with a concentration of industry, commerce, retail, educational and other major city services unavailable elsewhere for 50 miles around.

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The city holds a strong vision of its future as the country's 'Northern Gateway to Europe' and believes the case for companies to consider it as a new location is outstanding.

Details may be obtained from A. E. Howard, Business Development Manager, Economic Development Agency, Hull City Council, Guildhall, Alfred Gelder Street, Hull HU1 2AA. Tel: (0482) 593828 Fax: (0482) 593838.

COMPANY NEWS: UK

Lower interest and finance costs contribute to a 29% advance

Hepworth at £35.6m midway

By Christopher Price

Hepworth, the building materials and boiler group, reported a 29 per cent rise in half-year pre-tax profits from £27.5m to £35.6m, although the figure was financed by lower interest and finance costs.

At operating level, profits to 30 June rose marginally to £37m (£35.8m). Mr John Carter, chief executive, cautioned that the group's markets would remain tough for the rest of the year.

Turnover edged up 2 per cent to £338.6m (£331.9m), while earnings per share rose 12 per cent to 10.2p (9.1p).

The interim dividend is maintained at 5.5p.

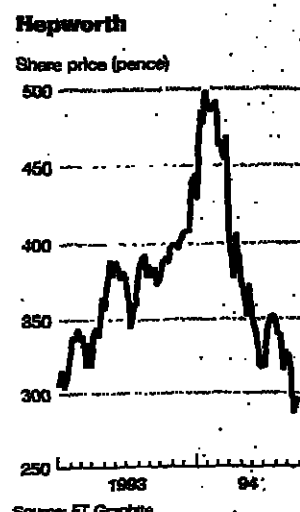
In the UK, which accounts for 60 per cent of the group's sales, operating profits were 14 per cent ahead at £21.3m (£18.7m) on turnover 9 per cent higher at £202.1 (£194.6m).

Building products sales increased 10 per cent, with the new house market providing

strong support. The home products division saw sales growth of 7 per cent, with a firm performance from the gas boiler business offset slightly by weakness in garage door sales.

Operating profits in the refractories business fell 43 per cent to £2.1m (£3.7m) on turnover down 9 per cent at £63.9m (£70.3m). Mr Carter said: "This is our toughest market by far but we are taking steps to broaden our market base." He added that North America and the Far East were being targeted. To this end, the company had recently signed an £11m contract in Taiwan to provide stove linings.

The French boiler division, Saunier Duval, experienced mixed trading, profits improving slightly to £13m, compared with £12.5m, on turnover down marginally at £102.4m to £99.3m. Stable glass sand sales and firm foundry product sales helped mineral and chemical division operating profits



increase from £3.5m to £5.2m on turnover up from £34m to £37.5m.

Mr Carter said: "Our strategy is to infuse each of our operations with new ideas, products, innovations and

investment and we intend to use our strong balance sheet imaginatively. It's a long-term slog, but eventually the success of these initiatives will outweigh the difficulties."

COMMENT

The fear for Hepworth is that one or more of the group's businesses - refractories the obvious candidate - will continue to act as a drag as the recovery gathers pace. Management dismisses talk of slimming down and insists investment is the key. Hepworth's latest contract successes in refractories would appear to support this view. The shares are currently on a market rating and analysts' profit forecasts of around £7m for the full year would keep them there and slightly ahead of the yield - one of the highest in the building materials sector - is likely to support the shares, the downside would appear limited.

Small companies confident on growth

By Peggy Hollinger

Small companies remain confident about their growth prospects, in spite of inflationary pressures and impending tax increases.

A survey of 405 senior executives around the country showed 57 per cent were more optimistic than just three months ago.

The survey, "A View from the Boardroom", was sent to more than 1000 executives at companies with market values of less than £500m. It was the second six-monthly survey by the investment bank, SG Warburg, and carried out in August and September.

Although confidence levels were slightly lower than before, Warburg says the outlook is still bullish. Small companies were expecting strong growth in exports and 46 per cent reported order books between 1 and 10 per cent ahead of just three months ago.

While demand was still a significant constraint, companies were beginning to experience a squeeze on capacity. Almost half expected to increase capital spending in the next year.

Price rises were still difficult, with just 23 per cent planning increases in the next three months. Pressures from higher raw material costs would have to be absorbed through greater productivity.

Warburg remains optimistic about earnings potential for small companies. Mr Richard Hickinbotham, small companies analyst, said companies were looking for healthy increases in operating margins, in spite of the pressures. He forecast earnings growth of 16 per cent this year, excluding companies expected to move from loss into profit.

United Breweries, the financially troubled USM-quoted company controlled by Mr Vijay Malviya, is to buy a private company operating 70 public houses. The deal will more than double the number of public houses operated by the group.

The shares, which were suspended yesterday at the company's request, were ahead 1½p at 6½p.

Shareholders will next week be asked to approve a plan to restructure the group's debts of £9m, held by four banks. It is likely to involve writing off at least £2.5m of the debt.

Last April, the group breached its banking covenants after a £7.2m write-down in the value of its 76 public houses. A restructuring proposal put together in July fell through.

Yesterday the group said it intended to restructure its debt and inject substantial capital by issuing shares to a big new investor, accompanied by a non-underwritten issue of ordinary shares to existing shareholders.

"It is likely that any issue of new ordinary shares will be at a price substantially below the current market price," the group warned.

Allied Leisure £30m in loss after restructuring

By Richard Wolfe

Allied Leisure yesterday announced pre-tax losses of £30.1m for the 48 weeks to June 19, after withdrawing from its nightclub businesses to refocus on its ten-pin bowling operations.

The company blamed the deficit, which compared with a £2.94m profit for the previous year, on write-downs of £12.6m, losses on closures of £11.51m and restructuring costs of £4.41m.

A year of board upheavals continued with the appointment of Mr Ken Scobie as part-time chairman, replacing Mr William Davis. Mr Scobie resigned as chief executive of Brent Walker, the property and leisure group, in January 1993.

Allied is still seeking a chief executive after Mr Richard Carr resigned in March.

Yesterday's results were for a shortened 48-week period, in order to announce the sales and finance arrangements.

The company's half-year write-downs and provisions had breached its banking covenants, but the banks have now agreed to extend facilities to September 19 next year on the basis that Allied sells three nightclubs and grants options in respect of 2.5m shares.

The sale to Rank Leisure of the clubs, in the Bournemouth and Poole area, raised £4.5m which will be used to cut borrowings of £13.7m.

Mr Scobie said: "I think we are in a situation where the company has taken its medi-

cine. What we now have is a core business of bowling alleys. "I think the only resemblance between Brent Walker and this company is that they are both listed in the leisure sector," he added.

Turnover fell from £24.8m to £22.1m, and operating profit declined to £453,000 (£3.96m).

However, Allied's remaining operations produced pre-tax profits of about £2m. Like-for-like bowling sales fell by 10.5 per cent across the year, but the decline slowed down in the second half.

Net interest payments were cut to £1.32m (£1.64m) and gearing stood at 67 per cent.

The directors declared no dividend (3p) and losses per share were 45.49p, compared to earnings of 5.22p.

Alpha Airports maiden interim on rise to £11.3m

By David Blackwell

Alpha Airports Group, the airline catering company floated by Fortis in February, is paying a maiden interim dividend of 1.2p a share.

Earnings moved ahead from 4.7p to 5.31p in the six months to the end of July. Pre-tax profits were 6.6 per cent higher at £11.3m (£10.6m) on sales 11.9 per cent ahead at £232m (£206m).

The shares, priced at 140p for the flotation, eased 4p yesterday to close at 136p.

Mr Paul Harrison, chief executive, said the dividend reflected group confidence in the full-year outcome and "a very sound performance."

The sales increase was driven by the retail trading division, which operates shops at airports and now accounts for more than half group turnover. The division's sales rose from £102m to £124m, mainly on the back of a new contract at Gatwick and good growth at provincial airports.

However, margins were tighter and operating profits were only just ahead at £3.3m (£2.2m).

The in-flight catering division lifted sales from £106m to £109m. Overall margins were unchanged at 7.7 per cent, while operating profits were ahead at £2.4m (£2.1m).

In the UK the charter market accounted for 30 per cent of sales, up from 26 per cent pre-



Paul Harrison (left) and Rodney Galpin, the new chairman: now celebrating the catering group's confidence in the full year.

viously. Cost cutting on scheduled short haul and domestic flights was reflected in a reduction in the catering spend per passenger. UK operating profits eased from £2.6m to £2.4m.

Operating profits were ahead in Europe from £1.2m to £1.9m, while in the US they fell from £300,000 to £100,000, mainly reflecting a shortfall at a new kitchen in Newark that is not yet covering its fixed costs.

The results include a contribution of £200,000 from joint ventures in Trinidad and Australia.

Capital investment, excluding the joint ventures, was £10m. It is expected to reach £13m for the full year - a figure seen as exceptional following completion of several facilities.

Net interest payable fell from £700,000 to £600,000. Borrowings were reduced from £28.8m to £18.4m, cutting gearing to 49 per cent from 82 per cent at the time of the float.

Apta Nursing in reverse takeover of Midland Assets

By Richard Wolfe

Apta's number of beds by 34 per cent to 623, rising to 696 by April 1995.

Existing shareholders will be offered a bonus issue of warrants on a 4 for 5 basis, exercisable at 15p.

Guinness Mahon has agreed to make a standby cash offer for 75 per cent of Midland holdings at 15p per share, including the forecast interim dividend, rights and warrants.

Midland forecasts an interim dividend of 0.4p per share and a final of 0.5p. Pre-tax profits for the six months to October 31 are expected to be no less than £265,000 (nil).

Apta's pre-tax profits for the six months to October 31 are expected to be no less than £265,000 (£256,000).

Midland's listing was suspended yesterday, with dealings expected to restart on October 18. The company was created in May to acquire four nursing homes from Northern Leisure for £1.9m.

The new company's chairman will be Sir David Rowland, currently at Apta.

Mr Trevor Price, chief executive, said the group's strategy would be to expand its activities in the sub-acute care sector, which commands high fees of up to £1,000 a week.

The impact date is set for September 22, with an extraordinary meeting on October 14.

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£11m marine protein expansion by IAWS

By Caroline Southey

IAWS Group, the Dublin-based food and agricultural company, yesterday made a £11.2m recommended offer for a Scottish fishmeal and fish oil manufacturing company.

Mr Philip Lynch, chief executive of IAWS, said the acquisition of United Fish Products would more than double IAWS's marine protein interests making it the leading producer of oil and marine protein in the UK as well as one of the four largest producers in the European Union.

UFP has a processing plant in Aberdeen and manages processing companies in the Shetland Islands and Grimsby.

IAWS is making the offer through a subsidiary, Braemar Fish Products, which is offering £26.50 for each share in cash or loan notes.

In the year to September 30 1993 UFP's pre-tax profits rose 47 per cent to £737,000. Net assets at completion would total £8.7m.

IAWS has acquired other fish oil and fishmeal businesses in the UK in recent years, including the fishmeal business of Nodas, an offshoot of British Petroleum.

Mr Lynch said the acquisition would bring benefits of scale in technical sales and marketing as well as research and development in process and product areas.

US link for Inchcape insurance offshoot

By Richard Lapper

Bain Hogg Group, the insurance broking group owned by Inchcape, the motors, marketing and services concern, is planning a strategic alliance with Accordia, the Indianapolis-based company which is the world's eighth largest insurance broker.

The move follows Inchcape's takeover of Hogg Group earlier this year, which created the world's seventh biggest broker and signalled Inchcape's ambitions in the sector.

Bain Hogg also said it had entered into talks to sell its brokerage operation, Bain Hogg Robinson, to Accordia.

The alliance would allow the

two groups to offer an improved international service to clients, drawing from both Bain's strength in Europe and east Asia and Accordia's position in the US.

Accordia, a network of companies providing insurance broking, managed care administration and consulting services, had revenues of \$558m (£163m) in 1993. Health insurance, including managed care services, accounted for 51 per cent of its gross revenues.

Accordia has grown rapidly in recent years from its strongholds in the southern and mid-western states. It acquired American Business Insurance in 1993 and Seattle-based Pettit Morry earlier this year.

Mr Nally said the company's bankers, who are owed £140m, Mr Nally remains confident that it is viable.

The consortium would raise funds from the sale of 164 existing boxes, even though the current stadium has around 80 per cent occupancy on the existing 80 suites.

Mr Nally says construction must commence by early 1995 to have the stadium ready for the European Championships in 1996. If Wembley does not agree, he says Stadi Varios will look at a competing site.

Mr Nally is involved in a stadium project in Derby, but similar projects in Sunderland and Glasgow have collapsed.

Stadi Varios £250m plan for Wembley

By Simon Davies

A rival consortium, led by Stadi Varios, will apply on Monday for planning permission to reconstruct one of the world's most famous football venues, Wembley Stadium.

The move will come in spite of the fact that the heavily indebted existing owner of the "venue of legends", the Wembley company, is already holding a financial beauty parade for a restructuring which would enable it to retain its principal asset.

The company's hold on Wembley stadium is being challenged by a consortium

formed by a private stadium company Stadi Varios, which claims to have financing prepared for the £250m project.

Mr Patrick Nally, who founded Stadi Varios, claims the stadium is "well past its sell-by date". He proposes to retain the twin towers, but put in place a 100,000 seater modern stadium, with a retractable roof to allow greater usage.

Backed by a consortium including construction companies Tilbury Douglas and John Laing, it has offered £10m for the site, or a package "substantially in excess of £100m" for the adjoining Arena and Conference Centre.

However, Sir Brian Wolfson, chief executive of Wembley, said the company and its advisers had decided the proposals were "unrealistic, and not in the best interests of shareholders".

The company has rebuffed all attempts by the consortium to enter negotiations.

Sir Brian said the stadium carried a book value of around £90m, which would leave shareholders with a substantial book loss.

However, the price is understood to be negotiable.

After discussions with the Football Association, Brent Council, and some of Wem-

bley's bankers, who are owed £140m, Mr Nally remains confident that it is viable.

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Artesian to seek market listing

By Simon London, Property Correspondent

Artesian Estates, a residential landlord specialising in assured tenancies, yesterday announced plans to float on the stock exchange. It will be the first property company specialising in this type of flexible tenancy to seek a listing.

Artesian will have initial assets of £20m, comprising 28 residential properties in London and the south east of England.

The properties are let under assured tenancies which give the landlord

considerable freedom to increase rents and regain possession.

The biggest quoted residential property company is Bradford Property Trust, which has a market capitalisation of £20m. However, Bradford's business centres on buying properties let under more restrictive regulated tenancies - usually at a discount to reflect the sitting rights of the tenant - and selling when the property becomes vacant.

Set up in 1988, Artesian recently came to the end of its five year qualifying period under the Business Expansion Scheme. In all 10 companies bearing the Artesian

name have been set up under the BES, the last at the end of 1993, raising £42m.

Initially only the first three companies will be grouped together under the listed holding company. The directors said it was possible that other companies could be reversed into the listed company at a later date. They added that Artesian would consider buying other BES companies where investors were looking for an exit.

Falling property prices mean that many similar companies have seen their asset values tumble over the last five years. Artesian has just clawed its way back to the asset value of 1989.

Breedon rises 56% to £1.5m

Breedon, the limestone quarrying and housebuilding group, raised pre-tax profits 56 per cent from £90,000 to £1.5m in the six months to July 31. Turnover grew 30 per cent from £5.06m to £6.59m.

The company said that while first time buyers had fallen away, sales of its top of the range properties were increasing. Once conditions improved, its low cost land bank would enable it to "maximise profit contribution".

Earnings per share were 3.53p (2.26p) and the interim dividend is unchanged at 1.75p.

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an increased net asset value per share of 79.52p (72.75p). The final dividend is 1.25p, making a total of 2p (1p).

Increased exports behind Goodwin rise

Increased exports helped Goodwin, the mechanical and refractory engineering group, to almost double pre-tax profits from £208,000 to £383,000 in the year ended April 30, on turnover 9 per cent higher at £14.75m.

Earnings per share were 2p higher at 3.5p and the single dividend is held at 0.65p.

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DIVIDENDS ANNOUNCED

	Current payment
Allied Leisure	nil
Alpha Airports	1.8
Brecon	1.75
Goodwin	0.65p
Hepworth	5.5
Holt (Joseph)	12
Molynaux Est S	1.25
Norish	4.47p
Servomex	2.1

Dividends shown pence per share p

INTERNATIONAL COMPANIES AND FINANCE

Crédit Lyonnais warns of further charges

By Andrew Jack in Paris

Crédit Lyonnais, the troubled French banking group, may need to make additional provisions of up to FF225bn (\$4.73bn) against its heavy losses, government sources said yesterday.

Mr Jean Peyrelevade, who was appointed by the government as chairman of the state-controlled group last year, told officials earlier this week that total provisions could be in the range of FF150bn-FF250bn, the sources claimed.

The size of the provisions, which would be among the largest reported in French corporate history, emerged after Crédit Lyonnais announced unexpectedly on Thursday that it would be delaying publication of its first-half results pending completion of "certain analyses".

The bank confirmed yesterday that it was unlikely to issue new shares to help finance its restructuring before

the end of the year - a possibility that had been floated by Mr Peyrelevade in March when he announced losses of FF6.9bn for 1993.

In a unusually public exchange, the French ministry of economy and finance responded late on Thursday night to Crédit Lyonnais's decision with a statement that it had been alerted to certain "substantial additional provisions" relating to risky assets to be accounted for in the results in the six months to the end of June this year.

Mr Edmond Alphandéry, the economy minister who was in New York when the story broke, said he had entrusted Mr Peyrelevade with carrying out the necessary work to research the provisions and present them in line with regulatory requirements.

He stressed the bank had the state's full support and would do whatever was necessary. However, one official said yesterday: "The state's support is



Jean Peyrelevade (left) entrusted by Edmond Alphandéry, economy minister (right) to carry out the necessary work



obvious. It's like saying that we are opening an open door." Crédit Lyonnais would not be drawn on the timing and size of the provisions and the nature of its dialogue with the government. However, it said: "We are delighted to have this public confirmation of the state's complete support."

Sources within the bank reiterated yesterday the discussions with the government triggering the delay in publication of its results related more to the way in which it would help with a rescue than concern over the provisions' size. However, government sources maintained the first

they had known about the additional provisions and the need for state support was on Monday, and had until then relied on assurances provided by Mr Peyrelevade in early summer that provisions would total FF60bn, which could be covered from internal sources.

Officials are said to have been irritated by the divergence of the provisions from those agreed in the restructuring in April, and by the vague and broad range of possible additional amounts that the group says must be set aside.

Crédit Lyonnais said the state of the French equity market and details emerging about its financial position meant it was very unlikely it would proceed with a planned issue of FF40bn-FF50bn new shares before the end of the year.

The group's certificates d'investissement, the non-voting shares and the only ones publicly traded, dropped nearly 6 per cent to close at FF385 last night.

De Klerk confident on SA debt rating

By Barry Riley in Edinburgh

Mr F.W. De Klerk, the South African deputy president, yesterday said he was confident the credit rating reviews being conducted by Moody's and Standard & Poor's would result in a BBB, or investment grade, rating for the country's international debt.

He brushed aside news that the London-based credit rating agency IBCA had only awarded an inferior BB, or sub-investment grade, rating on Thursday.

The IBCA rating was greeted with disappointment in South Africa because many fund managers are not allowed to buy sub-investment, or junk bonds, but there was little surprise in the international markets.

The South African government is seeking ratings from the international rating agencies in order to facilitate its return to the international bond markets, to fund its reconstruction programme.

Speaking in Edinburgh to European securities analysts, Mr De Klerk expressed regret that South Africa's political transformation had not yet been adequately recognised by the markets. "I find it strange that the financial markets should reflect a scepticism on the government's ability to govern the country efficiently and prudently. This is unfair to the government of national unity and has no basis in fact," he said.

He insisted the government would maintain fiscal discipline and would not repeat the populist mistakes of other countries in funding the reconstruction and development programme.

Higher interest rates would increase debt service costs and thus would lead to a slight expenditure overrun for 1994-95 but steps would be taken to finance it on a sound basis. Mr De Klerk said the South African authorities would not spring a surprise on the nervous markets by an early abolition of the financial aid system. They were keen to change as soon as possible - but would not be rushed.

GM rental sale breathes life into buy-out business

The sale of General Motors' National Car Rental subsidiary to Vestar Equity Partners, announced on Thursday, shows that the US buy-out movement is not dead after all.

The deal is rumoured to be worth about \$1bn including debt - a figure described by an adviser yesterday as not far off. If so, it is only the third US billion-dollar buy-out of the 1990s (the others were the Payless retail chain and the insurance company American Re).

This is a far cry from the glory days of the 1980s. It is also a long step for Vestar, a buy-out firm founded in 1988 by Mr Daniel O'Connell, former co-head of management buy-outs at First Boston. To date, Vestar has done 13 deals with a total purchase price of \$1.6bn. The National Car Rental deal takes it into rather a different league.

However, Vestar has a useful asset in the form of Mr John Howard, its joint chief executive.

Until he joined the firm in 1990, Mr Howard was with Wesray, another buy-out firm founded by Mr William Simon, ex-treasurer secretary. One of Wesray's more spectacular coups, in which Mr Howard was closely involved, was the 1986 buy-out of Avis, National Car Rental's larger rival.

The sums involved in the Avis deal are worth recalling. Wesray bought Avis in July 1986 for \$255m plus \$1.34bn of assumed debt. It then raised \$570m through disposals.

In September 1987, it sold Avis to its employees for \$1.75bn. In just over a year, Wesray had more than tripled its money.

Whether the same can be done with National Car Rental is another matter. Its recent history is decidedly chequered.

General Motors first took a stake in 1985. In 1992, it took control, and in the same year took a \$744m charge against profits for losses and restructuring at its new subsidiary.

For a while, GM thought seriously about winding the business up.

However, at the start of 1993, it brought in Jay Alick, a firm of specialist consultants, to sort it out. A year later GM announced that the business had been profitable at the operating level through 1993, and that it was thinking of selling it.

At about the same time, Ford was moving to take 100 per cent ownership of its own car rental business, Hertz.

The difference in strategy between close rivals is striking. Ford points out that besides providing a large sales outlet for its cars, the rental

business allows it to evaluate their performance.

"We've been pretty happy with Hertz," Ford commented yesterday. "After all, it is the car business."

The GM line is somewhat different. Rental, it says, is just not profitable enough. It can involve selling cars on unattractive terms, and often means taking them back second hand.

"In the last couple of years," GM said yesterday, "we've been pulling back the number of cars we've sold to rental agencies. We're trying to redirect into selling direct to customers, which is better for GM than the subsidised market of rental fleets."

Meanwhile, GM will maintain its existing supply agreement with National Car Rental.

Thereafter it is up to Mr Howard to find value where GM failed. In the chiller climate of the 1990s, perhaps Vestar is taking a risk after all.

Lauritzen Shipping chief executive quits

By Hilary Barnes in Copenhagen

Mr Peter Weitemeyer, chief executive of J. Lauritzen Shipping since 1986, resigned with immediate effect yesterday. No reason for the resignation was given.

Lauritzen Shipping made a pre-tax loss of DKR289m (\$40m) in the first half of this year, following losses of DKR183m in 1992 and DKR165m in 1993. Lauritzen Holding, which includes a shipyard and several marine-related manufacturing companies, made a first-half loss of DKR196m and a 1993 loss of DKR179m.

The shipping company operates one of the world's largest fleets of refrigerated cargo vessels, where freight rates have been hit by the weak dollar and the European Union's quota restrictions on banana imports from South America. Freight rates for the group's fleet of small gas tankers have been weak.

Mr Claus V. Ipsen, formerly the shipping company's finance manager, takes over from Mr Weitemeyer.

Pirelli returns to black in first six months

By Robert Graham in Rome

Pirelli, the Italian cables and tyre manufacturer, announced a modest return to profit after more than two years of tough restructuring and losses.

Half-year results released yesterday showed net group profits were L54.6bn (\$85.08m) against a loss of L62.7bn during the same period in 1993 while the parent company had swung to a L1.8bn profit from a L104.3bn loss.

Mr Marco Tronchetti Provera, chief executive, has been predicting the group would return to profit and analysts said the recent movement in

the group's shares suggested investors felt the worst was behind Pirelli.

He also said that Pirelli would invest L2,500bn over the next three years, all self-financed, of which L1,000bn would be allocated to research and development. He forecast that there would be a new cables joint venture in the Asia Pacific region and said the group was aiming to concentrate on added value products with some L500bn of revenue coming from telecoms products by 1995.

The restructuring has seen Pirelli reduce the number of plants from 102 to 80 and the workforce cut by more than

10,000 people to less than 40,000. In the first half of the year a further 1,019 jobs were pruned.

Divestments over the past two and half years have helped slash the debt to L1,825bn from L4,000bn, thus reducing financial charges.

The net debt equity ratio has improved, dropping to 0.60 per cent from 0.87 in mid-1993. The company said the accounts were no longer affected by restructuring charges.

Reduced financial charges, along with leaner management and tighter control over costs were a large contributor to new profitability.

Group sales were only marginally up at L4,687bn. Net equity stood at L3,030bn in line with the first half of 1993.

The company was cautious on full-year results, pointing to an as yet patchy recovery in many of its markets.

Pirelli also warned about the unforeseen effects of industrial action at Pirelli Armstrong in the US.

Mr Cesare Romiti, the chief executive officer of Fiat, leaves the board while Mr Riccardo Perissich, who has been director general of industry at the Italian Commission, joins the board and will take charge of institutional relations.

D Blech assets taken over by Josephthal

By Richard Waters in New York

The assets of D. Blech, a New York broker firm which was forced to close on Thursday due to an inability to meet regulatory capital requirements, were taken over yesterday by another firm, Josephthal, Lyon & Ross.

It was not clear whether

Josephthal would continue to make markets on Nasdaq in all the stocks which had been traded by Blech.

The firm had specialised in small biotechnology stocks, having taken a number of companies in the sector public. The shares of many of these companies plunged on Nasdaq on Thursday as rumour spread that Blech would close.

Uncertainty about whether Blech's holdings of these stocks would eventually be dumped on the market continued to hold prices down yesterday.

The assets taken over by Josephthal did not include Blech's inventory of stocks. The firm said it had agreed to take on the firm's brokers, analysts and traders, along with

its accounts. It is also planning to take over two of Blech's four offices, based in New York and Boca Raton, Florida.

Blech's demise follows a difficult period on the stock market for small biotech companies. In the first eight months of the year, shares in about four-fifths of the publicly traded companies in the sector fell in value.

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Nominal Value Number

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Listing Particulars relating to the Company have been approved by the London Stock Exchange as required by the listing rules made under Section 142 of the Financial Services Act 1986 and are available during normal business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office, the London Stock Exchange, Capital Court Entrance, off Bartholomew Lane, London EC2N 2HP, by collection only up to and including 27th September, 1994, and during normal business hours up to and including 10th October, 1994 from:

NatWest Securities Limited

115 Bishopsgate

London EC2M 3XT

Hambros Bank Limited

41 Tower Hill

London EC3N 4HA

Hambros Smaller Asian Companies Trust PLC

41 Tower Hill

London EC3N 4HA

24th September, 1994

The Financial Times regrets any embarrassment caused by typographical errors in the Wm Morrison Supermarkets Plc Interim Results published in the paper on September 23rd, 1994. The advertisement should have appeared as shown below.

Wm MORRISON SUPERMARKETS PLC.

INTERIM RESULTS AT A GLANCE

26 weeks ended 31 July 1994 26 weeks ended 31 July 1993 52 weeks ended 30 Jan 1994

£m £m £m

Turnover 861.8 746.5 1538.4

Operating profit 48.5 39.1 100.9

Profit before tax 47.4 38.2 97.8

Earnings per share 4.05p 3.38p 8.59p

Dividend per share 0.24p 0.2p 1.0p

● Turnover increase - 15.4%

● Operating profit increase - 24.0%

● Profit before taxation increase - 24.1%

Interim report and statement may be obtained from: The Secretary, Wm Morrison Supermarkets Plc, Hilmore House, Thornton Road, Bradford BD5 9AX

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Tropical hardwood trees are more valuable to loggers than other trees in the rainforest.

High prices for hardwoods ensure that loggers have no qualms about destroying other trees that stand in their way.

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WWF

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(Formerly World Wildlife Fund)

International Secretariat, 100 Gland, Switzerland

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COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Metals
finish on a
high note

Metals markets finished in a buoyant mood this week with the precious sector resuming its earlier upturn and copper leading a late surge at the London Metal Exchange. Gold reached a 13-month high, copper a 25-month high and aluminium a 3-year high.

Bullion dealers said the gold market appeared to be bracing itself for a fresh assault on the \$400-a-ounce barrier as a \$2.50 rise yesterday took the price to \$396, up \$5.40 on the week. That followed an overnight jump in response to the strength of the New York silver market. In London cash silver ended at \$5.70, an ounce, up 9 cents on the day and 21 cents on the week.

"People were playing the [silver-gold] spread so gold followed suit," a dealer told the Reuters news agency.

"A lot of aggressive buying has been done to maximise impact, which argues for caution," said Andy Smith, bullion analyst at Union Bank of Switzerland. "Maybe they are right that the gold price will go to \$400, but they have to take profits sometime."

Everybody is bullish and talking about \$400, said another analyst. "But all the indicators point to it being overbought."

"We haven't seen sustained demand like this for years," commented a dealer. "It means the rule book goes out the window."

Platinum followed the trend, a \$2.75 rise to \$421 an ounce yesterday taking the advance on the week to \$11.75.

For the base metals generally, bullish fundamentals were bolstered by bouts of speculative buying as copper and aluminium led an across-the-board rise yesterday. Having consolidated earlier gains, the three months delivery copper price, fuelled by commission house buying that triggered stop-loss orders,

broke through resistance to close at \$2,570.50 a tonne, up \$83 on the week and the highest level since August 1992. It moved further ahead in after hours trading.

The aluminium market was bolstered by news of a 19,700-tonne fall in LME warehouse stocks, which followed one of 13,675 tonnes announced and took the week's drawdown to 1.4 per cent. The three months price closed \$6 higher at \$1,631.50 a tonne, taking the gain on the week to \$23, after

edging back from a peak of \$1,636 a tonne. Zinc, with its continuing overproduction, has been the Cinderella contract at the LME for some time. But it was able to join in the party yesterday following news that Noranda of Norway planned to cut output by up to 20 per cent next year at its 140,000-tonnes-a-year Odda smelter. In response the three months zinc price reversed its \$10 decline over the previous four days to close at \$1,045.50 a tonne, up \$13 on balance.

Noranda's announcement was welcomed by Union Miniere, which two years ago closed its 130,000-tonnes-a-year Overpelt smelter. But the Belgian group cautioned that further producer cuts would be needed to reverse the continuing build-up in world zinc stocks.

At the London Commodity Exchange meanwhile, coffee futures were moving back towards the 9-year highs reached earlier in the year. The November position was trading at \$4.068 a tonne, up \$23 on the day and \$136 on the week. But that was still \$72 below the peak to which it had been lifted at one point on Thursday by concern about the continuing drought in Brazilian growing areas.

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Richard Mooney

WEEKLY PRICE CHANGES

Commodity	Unit	Change	High	Low
Gold per troy oz	\$386.00	+5.4	387.25	386.50
Silver per troy oz	389.50	+16.0	394.00	383.50
Aluminium 99.7% (cash)	\$1,631.50	+23	1,636.00	1,608.50
Copper Grade A (cash)	\$2,570.50	+83	2,570.50	2,487.50
Lead (cash)	\$221.50	+1.5	223.00	220.00
Nickel (cash)	\$64.50	+2.5	67.00	62.00
Zinc SHG (cash)	\$1,045.50	+13	1,058.50	1,032.50
Tin (cash)	\$1,100.00	+10	1,110.00	1,090.00
Cocoa Futures Dec	\$4,068	+136	4,100	4,032
Cocoa Futures Nov	\$3,911	+53	3,964	3,858
Sugar (LDP Rev)	\$20.00	+0.00	20.00	20.00
Wheat Futures Nov	\$106.85	+1.20	108.00	105.65
Cotton Outlook A Index	74.50	+1.4	75.90	73.10
Oil (Brent Blend)	\$16.55	+0.01	16.56	16.54

For some units, changes are based on previous day's closing price. * Prices are for previous day.

ECONOMIC DIARY - FORWARD EVENTS

TODAY: Boris Yeltsin, Russian president, and Andrei Kozyrev, foreign minister, visit London for talks with John Major, UK prime minister at Chequers.

TOMORROW: Albert Reynolds, Irish prime minister, visits Wellington, New Zealand. State election in Bavaria. National referendum on Swiss government plan to introduce law against racial discrimination.

MONDAY: President Clinton and Boris Yeltsin scheduled to address UN General Assembly. Commonwealth finance ministers conference in Valletta, Malta. European Parliament plenary session in Strasbourg. US and Japan hold automotive sector talks in Washington. UK capital expenditure (second quarter, revised). UK stocks and work in progress (second quarter, revised).

TUESDAY: Boris Yeltsin in Hyderabad, India, against animal slaughter and beef exports.

WEDNESDAY: Chuan Leekpai, Thai prime minister, in Canada for talks on trade expansion, technology transfer and Asia-Pacific co-operation. International general assembly of

Interpol police in Rome. European Union industry ministers meet in Brussels. IMF world economic outlook news conference in Madrid ahead of IMF/World Bank annual meeting. Leading British banking groups' mortgage lending (August). Prices of agricultural land (Welsh Office, second quarter).

THURSDAY: Nato defence ministers meet in Seattle. US GDP figures (August). Amsterdam's bourse closes after the introduction of a new trading system on Friday. New Earnings Survey 1994 Part A. UK energy trends for July. New UK vehicle registrations (July).

FRIDAY: End of 60-day period of consultations between Japan and the US when the latter may enforce trade sanctions if there is no accord. Carlos Menem, Argentine president, to address World Affairs Council in Los Angeles. General election in Slovakia. Profitability of UK companies (1993). UK monthly index of statistics (September). GB cinema exhibitors (second quarter).

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BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7% (per tonne)

Grade	3 mths	6 mths
Close	1631.50	1631.50
Previous	1608.50	1608.50
High/Low	1611.5-1636.0	1611.5-1636.0
AM Official	1611.5-1636.0	1611.5-1636.0
Kerb close	246.424	246.424
Open int.	36,482	36,482
Total daily turnover	16,596	16,596

ALUMINIUM ALLOY (per tonne)

Grade	3 mths	6 mths
Close	1650.00	1650.00
Previous	1650.00	1650.00
High/Low	1650.0-1650.0	1650.0-1650.0
AM Official	1650.0-1650.0	1650.0-1650.0
Kerb close	3,015	3,015
Open int.	1,226	1,226
Total daily turnover	1,226	1,226

LEAD (per tonne)

Grade	3 mths	6 mths
Close	221.50	221.50
Previous	221.50	221.50
High/Low	221.5-221.5	221.5-221.5
AM Official	221.5-221.5	221.5-221.5
Kerb close	6,445.90	6,445.90
Open int.	6,445.90	6,445.90
Total daily turnover	6,445.90	6,445.90

NICKEL (per tonne)

Grade	3 mths	6 mths
Close	64.50	64.50
Previous	64.50	64.50
High/Low	64.5-64.5	64.5-64.5
AM Official	64.5-64.5	64.5-64.5
Kerb close	6,445.90	6,445.90
Open int.	6,445.90	6,445.90
Total daily turnover	6,445.90	6,445.90

ZINC (per tonne)

Grade	3 mths	6 mths
Close	1,045.50	1,045.50
Previous	1,045.50	1,045.50
High/Low	1,045.5-1,045.5	1,045.5-1,045.5
AM Official	1,045.5-1,045.5	1,045.5-1,045.5
Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

COFFEE, grade A (per tonne)

Grade	3 mths	6 mths
Close	4,068	4,068
Previous	4,068	4,068
High/Low	4,068-4,068	4,068-4,068
AM Official	4,068-4,068	4,068-4,068
Kerb close	4,068	4,068
Open int.	4,068	4,068
Total daily turnover	4,068	4,068

LME Closing 2/5 mths 1,525/2

Spot 1,525/2 3 mths 1,525/2 6 mths 1,525/2

High Grade Copper (per tonne)

Grade	3 mths	6 mths
Close	1,045.50	1,045.50
Previous	1,045.50	1,045.50
High/Low	1,045.5-1,045.5	1,045.5-1,045.5
AM Official	1,045.5-1,045.5	1,045.5-1,045.5
Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

LME Closing 2/5 mths 1,525/2

Spot 1,525/2 3 mths 1,525/2 6 mths 1,525/2

High Grade Copper (per tonne)

Grade	3 mths	6 mths
Close	1,045.50	1,045.50
Previous	1,045.50	1,045.50
High/Low	1,045.5-1,045.5	1,045.5-1,045.5
AM Official	1,045.5-1,045.5	1,045.5-1,045.5
Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

LME Closing 2/5 mths 1,525/2

Spot 1,525/2 3 mths 1,525/2 6 mths 1,525/2

High Grade Copper (per tonne)

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Close	1,045.50	1,045.50
Previous	1,045.50	1,045.50
High/Low	1,045.5-1,045.5	1,045.5-1,045.5
AM Official	1,045.5-1,045.5	1,045.5-1,045.5
Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

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Spot 1,525/2 3 mths 1,525/2 6 mths 1,525/2

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Previous	1,045.50	1,045.50
High/Low	1,045.5-1,045.5	1,045.5-1,045.5
AM Official	1,045.5-1,045.5	1,045.5-1,045.5
Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

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High/Low	1,045.5-1,045.5	1,045.5-1,045.5
AM Official	1,045.5-1,045.5	1,045.5-1,045.5
Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

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Previous	1,045.50	1,045.50
High/Low	1,045.5-1,045.5	1,045.5-1,045.5
AM Official	1,045.5-1,045.5	1,045.5-1,045.5
Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

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Previous	1,045.50	1,045.50
High/Low	1,045.5-1,045.5	1,045.5-1,045.5
AM Official	1,045.5-1,045.5	1,045.5-1,045.5
Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

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Previous	1,045.50	1,045.50
High/Low	1,045.5-1,045.5	1,045.5-1,045.5
AM Official	1,045.5-1,045.5	1,045.5-1,045.5
Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

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High/Low	1,045.5-1,045.5	1,045.5-1,045.5
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Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

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High/Low	1,045.5-1,045.5	1,045.5-1,045.5
AM Official	1,045.5-1,045.5	1,045.5-1,045.5
Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

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Previous	1,045.50	1,045.50
High/Low	1,045.5-1,045.5	1,045.5-1,045.5
AM Official	1,045.5-1,045.5	1,045.5-1,045.5
Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

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Spot 1,525/2 3 mths 1,525/2 6 mths 1,525/2

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Close	1,045.50	1,045.50
Previous	1,045.50	1,045.50
High/Low	1,045.5-1,045.5	1,045.5-1,045.5
AM Official	1,045.5-1,045.5	1,045.5-1,045.5
Kerb close	1,045.50	1,045.50
Open int.	1,045.50	1,045.50
Total daily turnover	1,045.50	1,045.50

LME Closing 2/5 mths 1,525/2

Spot 1,525/2 3 mths 1,525/2 6 mths 1,525/2

High Grade Copper (per tonne)

Precious Metals

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Telford system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 4.2(a) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

Bargains at special prices. @ Bargains done the previous day.

British Funds, etc

Treasury 13 1/2% 2003/2023 - £120.5 (21/9/94)

Corporation and County Stocks

London County 2 1/2% Cons 1982/97 after 12/9 (19/9/94)
Dudley Metropolitan Borough Council 7 1/2% 2019 (19/9/94) - £77.1 (19/9/94)
Kirkcaldy & Collieston 7 1/2% 2019/2029 - £115.15 (19/9/94)
Leeds City 2006 - £106 (21/9/94)
Leeds City Council 7 1/2% 2019/2029 - £101.5 (21/9/94)
Manchester City 1981 3 1/2% 1994/97 after 12/9 (19/9/94)
Newcastle-Upon-Tyne City 1981 3 1/2% 1994/97 after 12/9 (19/9/94)
Salford City 7 1/2% 2019/2029 (19/9/94) - £77.1 (19/9/94)

UK Public Bonds

City of London 1 1/2% 2003 - £28 (21/9/94)

Port of London Authority 2 1/2% 2003 - £28 (21/9/94)

Foreign Stocks, Bonds, etc (coupons payable in London)

Greece/Kingdom of 1995 Pub Wkg Ls 1995 (19/9/94) - £106 (19/9/94)
Italy/Italy 1995 (19/9/94) - £106 (19/9/94)
Spain/Spain 1995 (19/9/94) - £106 (19/9/94)
Sweden/Sweden 1995 (19/9/94) - £106 (19/9/94)
Switzerland/Switzerland 1995 (19/9/94) - £106 (19/9/94)
United States/United States 1995 (19/9/94) - £106 (19/9/94)

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BDO Group PLC 12 1/2% 2012/17 - £121.1 (21/9/94)

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BDO Group PLC 12 1/2% 2012/17 - £121.1

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 878 4378 for more details.

AUTHORISED UNIT TRUSTS

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Mon	Tue	Wed	Thu	Fri	Sat	Sun
1990	1	2	3	4	5	6	7
1991	8	9	10	11	12	13	14
1992	15	16	17	18	19	20	21
1993	22	23	24	25	26	27	28
1994	29	30	31				

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	Full	Other	+W
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Rate	Cost	+ 9%	1
100	100	109	100
200	200	218	200
300	300	327	300
400	400	436	400
500	500	545	500
600	600	654	600
700	700	763	700
800	800	872	800
900	900	981	900
1000	1000	1090	1000

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	2004	2005	2006	2007
2004	2005	2006	2007	

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	Net Assets	YTD Change	1-Yr. Change	3-Yr. Change	5-Yr. Change	10-Yr. Change	15-Yr. Change	20-Yr. Change	25-Yr. Change	30-Yr. Change	35-Yr. Change	40-Yr. Change	45-Yr. Change	50-Yr. Change	55-Yr. Change	60-Yr. Change	65-Yr. Change	70-Yr. Change	75-Yr. Change	80-Yr. Change	85-Yr. Change	90-Yr. Change	95-Yr. Change	100-Yr. Change	
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WORLD STOCK MARKETS

AMERICA

Dow steady as Fed meeting is awaited

Wall Street

US stocks established a holding pattern yesterday as investors awaited the outcome of next week's meeting of the Federal Reserve's policy-making arm, writes Frank McGurk in New York.

By 1 pm, the Dow Jones Industrial Average was 3.35 lower at 3,833.77, while the more broadly based Standard & Poor's 500 was down 1.04 at 460.23.

After three days of brisk trading, activity was moderate, with 178m shares traded on the Big Board by early afternoon. In the secondary markets, the American SE composite was up 0.30 at 455.21, while the

and International Paper 4% to 77%.

The action elsewhere was mixed as well. On the NYSE, declining issues were holding a modest edge over advances at midday.

The Big Three car makers fell out of favour, with General Motors losing 1 1/4% to 44 3/4% and Chrysler dropping 1/4% to 44 1/4%.

In a related issue, Goodyear Tire shed 1/4% to 35 1/4%.

Georgia-Pacific was a bright spot, thanks to a favourable rating by Kidder Peabody. The stock jumped 3/4% to 73 1/4%.

In the technology sector, Digital Equipment was marked down 2 1/4% to 26 1/4% on a downgrading by PaineWebber, while said the stock was overvalued.

In early trading, shares in Micron jumped 1 1/4% on news that its net income in its fiscal fourth quarter nearly doubled. But the gain eroded as the morning progressed, despite a "strong buy" recommendation by Farnestock & Company. The issue was trading up a scant 1/4% at 38 1/4% by early afternoon.

On the Nasdaq, most computer stocks suffered setbacks. Intel was down 1 1/4% at 36 1/4%. Sun Microsystems retreated 1 1/4% to 28 1/4% and Oracle gave back 1/4% to 43 1/4%.

Nasdaq composite receded 2.15 to 768.23.

After driving the Dow Industrials down nearly 100 points in the previous three sessions, investors were still on edge over the prospect of an imminent increase in interest rates.

There was no clear consensus on Wall Street on whether the Fed would come down in favour of an immediate tightening of credit conditions during Tuesday's session.

As a result, equity investors seemed content to let share prices drift. Bond traders were also taking a wait-and-see approach.

Trading was quiet and prices across the maturity range moved marginally lower. There was no fresh economic news to disturb the uneasy tranquillity.

At first, the easy mood put stocks on a firm ground, as bargain hunters capitalised on the recent downturn. But as the afternoon approached, the jitters intensified once again, and the blue chip index suddenly was showing a modest loss.

Among the Dow components, Disney dropped 3/4% to 33 1/4% amid reports of management turmoil at the company. Boeing shed 3/4% to 42 1/4% and Procter & Gamble receded 1/4% to 55 1/4%. Offsetting the declines, Kodak appreciated 1/4% to 32 1/4%.

Confidence stemmed from a commerce ministry announcement that foreign investment was up 29 per cent in the first eight months of the year against the same period in 1993 and from satisfactory first-half September inflation figures.

The IPC Index was up 29.85 at 2,858.36 in turnover of 161.3m pesos.

Traders said Telmex, the national telephone monopoly,

was leading the advance. The L series shares - those available to foreign investors - were up 1.1 per cent at 11.02 pesos.

Shares rose 1.6 per cent in São Paulo on heavy early morning trading as two new opinion polls showed that Mr Fernando Henrique Cardoso was likely to win Brazil's presidential elections in the first round.

The Bovespa index was up 885 at 54,837.

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EUROPE

Continent ends the week cautiously higher

In spite of a less volatile day's trading in Europe yesterday, worries remained over a possible rise in US interest rates next week.

As a consequence, Nomura's strategists have advised further selling of equities for cash, with or without a further rise in short term rates.

"Equities are an each-way loser," says Nomura. "Even higher bond yields and the equities drive, bond rallies born out of further short rate rises and/or switching out of equities have exactly the same effect - note that the Dow fell last Tuesday night after the bond market had rallied."

Nomura is pessimistic and has recommended reducing a global equity allocation by 10 per cent to 50 per cent and raising cash to 30 per cent, while aiming to buy bonds between now and the end of the year.

FRANKFURT moved higher on encouraging state inflation data and strength in the bond markets. The Dax index finished at 16,091 at 2,082.12, before rising further to 2,082.76 in the Bse. Turnover on the

day was DM5.7bn and the market gained 1.4 per cent on the week.

Activity again remained low with corporate news only patchy. There were reports that Daimler's long term debt ratings had been downgraded by Standard & Poor's which left the shares off 90 pennings at DM77.9 in the Bse.

PARIS recovered some of the losses of the previous session, ending the session, also the last day of the account, some 1.5 per cent higher and unchanged over the week.

The CAC-40 index closed up 27.98 at 1,871.35.

The account ended with a loss of nearly 4 per cent.

Recommending a neutral stance on the French market, Kleinwort Benson noted that foreign investors, who supported the market in 1993 by investing some FF75bn, have now gone underweight in favour of Germany.

Credit Lyonnais CIs remained under pressure after the group's postponement of first-half figures. The Cti, which are thinly held, dipped FF75.80 to FF736.20.

inflation outlook for the US economy."

Credit Lyonnais believes that in this situation the outlook for Asia would be good, also because high inflationary expectations from weak Bund sales and excessive monetary growth in Germany should weaken confidence in the European currencies.

The upshot will be a rise in US equities and bonds and a movement of funds out of Europe and into the Asia markets. But to keep funds long term in the region, Asian governments need to address any threat to their export competitiveness," it concludes.

SINGAPORE saw some life return to the market as selective foreign buying boosted the Straits Times Industrials 15.96 higher at 2,302.05. Little changed on the week.

Brokers said investor sentiment has firmed on the prospect of new foreign money coming into the market in the form of Asian equity mutual funds.

KUALA LUMPUR closed lower as funds cashed out after a strong run, although speculative demand was still evident.

The composite index lost 9.56 to 1,170.32, for a 1.3 per cent

might be disappointed by the failure of banking group Guoco Group, investment company Henderson Investment and First Pacific to make it into the index. Their shares had recently risen on confidence they would be included.

Brokers said the new constituents were capitalised at around \$11bn, compared with around \$23bn worth of stocks departing. However, the Hang Seng index as a proportion of the market would stay roughly the same without the Jardine Group.

The revised Hang Seng index will cover about 70 per cent of the market in value terms. The total number of constituent stocks will remain at 33.

Jardine Strategic and Jardine Matheson will delist in December. Land, Mandarin and Dairy Farm will delist next March.

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FT-SE Actuaries Share Indices

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE 100	1337.77	1340.00	1340.00	1340.00	1340.00	1340.00	1340.00	1340.00
FT-SE 250	1380.04	1383.44	1383.56	1383.62	1383.67	1383.79	1383.84	1383.88

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE 100	1337.77	1340.00	1340.00	1340.00	1340.00	1340.00	1340.00	1340.00
FT-SE 250	1380.04	1383.44	1383.56	1383.62	1383.67	1383.79	1383.84	1383.88

MILAN overcame early disappointment over the failure of the government and unions to agree on pensions reform at a meeting on Thursday as hopes rose for a break in the deadlock on Monday.

The Comit index registered a 2.94 fall to 668.19, taking the week's loss to 1.5 per cent. However, the real-time Mibtel index rose 45 on the day to 10,737.

Olivetti was up 1.40 at 12,053 after announcing better than feared six-month figures on Thursday. Pirelli was 1.16 higher at 12,607 ahead of the release of its first-half results this afternoon.

Generali was down 1.29 at 139,374 after reporting weaker than expected first-half results.

ZURICH nudged higher in low volume, supported by firmer bond futures, and the SMI index rose 6.3 to 2,609.1, little changed over the week.

Insurance issues, which had an active week, closed mixed. Swiss Re, the subject of speculation that it aims to acquire Elvira, added to the week's advances with an SF8 rise to SF7,771, although analysts noted that the share had fallen by 30 per cent since the beginning of the year following various self recommendations.

Merck, the retailer, put on SF4 to SF361, ahead of its announcement of better than expected first-half profits and a forecast of improved full year figures.

AMSTERDAM was another

fall on the week. Volume was again heavy at 549m shares.

KLI Holdings was in the limelight, gaining M\$1.36 or 30 per cent to M\$5.90, driven by rumours of a M\$1bn property development deal in Sabah state.

Acidchem jumped 80 cents to M\$8.50 on speculation that the company was to be taken over by a prominent businessman, while continuing rumours of a change of ownership pushed Yeo Hap Seng up another M\$1.70 to M\$15.80.

BANGKOK saw selling of blue chips which pushed the SET index off 25.37 at 1,506.05 on turnover of B\$8.9m, a week's decline of 2.6 per cent.

Siam Cement lost B\$20 to B\$128, Telecom Asia lost B\$2 to B\$104 and Bangkok Bank tumbled B\$6 to B\$208.

HONG KONG finished easier after some late program selling triggered by weakness in overseas bourses. The Hang Seng index fell 35.67 to 9,832.47, taking the week's decline to 3.4 per cent. Turnover was HK\$3.07bn against Thursday's HK\$4.87bn.

HSBC Holdings fell 50 cents to HK\$87.75 and Hang Seng Bank eased 25 to HK\$64.50.

Against the trend, Cega rose 60 cents to HK\$18.60 after it signed a deal to build power plants in India. Its parent, Hopewell, gained 15 cents to HK\$7.25.

SEOUL saw a continuation of the consolidation in primary blue chips which led the market's record-breaking rally in the early part of the week. The composite index closed 3.02 lower at 1,030.99, but was still 3.0 per cent higher over the week. Volume was active with 46.3m shares traded, up from Thursday's 43.4m.

TAIPEI finished slightly higher, recovering from Thursday's sharp correction, and brokers commented that the market would continue to consolidate below the 7,000 level.

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beneficiary of the better mood across the continent yesterday. The AEX index improved 3.25 to 403.81m but down almost 1 per cent on the week.

Heineken was unchanged at F1238. Kleinwort Benson has downgraded the stock from a buy to hold on the basis that the shares are now fully valued. The brokers commented that since July the shares have appreciated by nearly 16 per cent and have outperformed the Dutch market by 9 per cent.

MADRID saw an end to its five-day losing streak, picking up 1.5 per cent in response to firmer government bond prices, short-covering, and the opening gains on Wall Street. The agreement between the minority ruling Socialist party and the Ciu centre-right Catalan nationalist party over the 1995 budget also gave support to bond and equity markets.

The general index closed 4.36 higher at 298.82 in volume of 1.90bn pesos, after 5.2bn shares worth 1.67bn pesos on Thursday. The week's rise was 0.8 per cent.

Philix Mining led second-line gains, rising nearly 7 per cent to 3.10 pesos.

BOMBAY trading was abandoned after a fire broke out in a building adjacent to the bourse.

Trading stopped after mid-session when the BSE 30-share index was 44.75 higher at 4,496.53, a 2.6 per cent fall over the week.

SYDNEY was slightly weaker but the decline was moderated by a rise in gold issues. The All Ordinaries index dropped 0.5 to 2,027.7, down 1.5 per cent over the week.

The gold index supported sentiment, with the index rising 56.3 to a six-month high of 2,385.5. Among gold stocks, Placer Pacific added 15 cents to a seven-year high of A\$4.05, and Poseidon Gold rose 22 cents to a seven-month high of A\$4.04. Newcrest Mining rose 17 cents to A\$6.85.

The All Industrials index finished 2.0 lower at 2,872.0, while the All Resources edged 0.7 higher to 1,402.0. Volume was 185.9m shares.

BHP lost 14 cents to A\$19.74 following lower than expected first quarter results.

WELLINGTON made ground although volume was light. The NZSE-50 capital index added 14.10 to 2,080.53, a loss of 1.4 per cent across the week.

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ASIA PACIFIC

Region pessimistic on fears of further US rate rise

With the fear of a further tightening of US interest rates next week weighing on investors' worldwide, the Pacific Region took the view ahead of the weekend that there was little to be optimistic about.

Tokyo was closed yesterday for a public holiday.

The consensus among analysts seems to be that the US Federal Reserve is likely to move interest rates 50 basis points higher at its Tuesday meeting, with the consequent knock-on effects throughout the world.

However, there is also a view among analysts that the US does not need to take further action because the threat of rising inflation in the country remains small.

Credit Lyonnais Securities Asia, for instance, remarks that improvements in productivity mean that the US economy can grow more quickly without generating inflation.

"With productivity at world-leading levels, there is just no evidence that inflation is a potential problem in the US," Rates have already gone up 175 basis points this year which will slow the economy. When this starts to happen long bond yields will fall towards more sensible levels, ones which reflect the low

inflation outlook for the US economy."

Credit Lyonnais believes that in this situation the outlook for Asia would be good, also because high inflationary expectations from weak Bund sales and excessive monetary growth in Germany should weaken confidence in the European currencies.

The upshot will be a rise in US equities and bonds and a movement of funds out of Europe and into the Asia markets. But to keep funds long term in the region, Asian governments need to address any threat to their export competitiveness," it concludes.

SINGAPORE saw some life return to the market as selective foreign buying boosted the Straits Times Industrials 15.96 higher at 2,302.05. Little changed on the week.

Brokers said investor sentiment has firmed on the prospect of new foreign money coming into the market in the form of Asian equity mutual funds.

KUALA LUMPUR closed lower as funds cashed out after a strong run, although speculative demand was still evident.

The composite index lost 9.56 to 1,170.32, for a 1.3 per cent

might be disappointed by the failure of banking group Guoco Group, investment company Henderson Investment and First Pacific to make it into the index. Their shares had recently risen on confidence they would be included.

Brokers said the new constituents were capitalised at around \$11bn, compared with around \$23bn worth of stocks departing. However, the Hang Seng index as a proportion of the market would stay roughly the same without the Jardine Group.

The revised Hang Seng index will cover about 70 per cent of the market in value terms. The total number of constituent stocks will remain at 33.

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LONDON EQUITIES

LIFE EQUITY OPTIONS

Options	Call	Put	Options	Call	Put
FT-SE 100	1337.77	1340.00	FT-SE 250	1380.04	1383.44
FT-SE 100	1337.77	1340.00	FT-SE 250	1380.04	1383.44

Options	Call	Put	Options	Call	Put
FT-SE 100	1337.77	1340.00	FT-SE 250	1380.04	1383.44
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FT-SE 100	1337.77	1340.00	FT-SE 250	1380.04	1383.44
FT-SE 100	1337.77	1340.00	FT-SE 250	1380.04	1383.44

Base	500	45	85	80%	4	18%	18%	(727)	280	12%	22%	25%	17%	23	28%
(539)	500	13	22%	32	21%	38%	45%	Tesco	220	17%	23%	29	6%	10%	14
								(732)	240	7	13%	18%	14%	20%	24%
Cable & Wire	350	27%	40%	52	8	18	25	Vodafone	180	21	25%	-	1	7%	-
(406)	420	11%	26%	37	23%	34	38%	(718)	200	11%	16%	21%	11	15%	18%
Countdown	460	18	32	41	31%	24	28%	Wiggins	325	17%	-	-	8%	-	-
(462)	500	4%	14%	24	41	59	53%	(731)	384	17%	-	-	27	-	-
Co-operative	483	38	35	41%	11	19	31%								

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CONTRACT PURCHASE
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CENTRAL 0345 585840
SCOTLAND 01758 625 051

FINANCIAL TIMES

Weekend September 24/September 25 1994

MoDo
PULP, PAPER &
PAPERBOARD

Consumer group finds low-temperature damage

Unilever detergent comes under renewed criticism

By Diane Summers,
Marketing Correspondent

Unilever, the Anglo-Dutch group, suffered a fresh attack on its new-generation washing powder yesterday.

The influential Consumers' Association in Britain said the first version of the detergent produced "substantial damage to some clothes" in laboratory tests, even when "normal recommended low-temperature programmes" were used.

Unilever admitted on Thursday that the detergent - sold in Britain as Persil Power and in continental Europe as Omo Power - was "defective", but said problems arose only if it was used at high temperature.

The original version was launched this spring but replaced in June after Procter & Gamble, arch-rivals in the £6bn-a-year European detergent market, said tests by it showed the detergent could "rot" clothes. The latest version contains less of the manganese catalyst "accelerator" which is the powder's patented ingredient.

Yesterday's attack came as

Unilever was attempting in the UK to play down an admission on Thursday by Mr Morris Tabakshlat, its Dutch co-chairman, that the company had failed to apply "appropriate safeguards" in tests before the launch.

Unilever said yesterday that laboratory tests gave only a distorted picture of how the detergent performed. "The defect the chairman referred to was only evident under extreme and destructive laboratory conditions; it was quite irrelevant in real conditions in consumers' homes. This product underwent field tests among 80,000 consumers throughout Europe over a period of two years."

However, Mr Derek Prentice, Consumers' Association assistant director, said it was "nonsense" to claim that it was only extreme conditions which caused damage. "Our independent tests on behalf of the consumer have shown that there can be substantial damage to some clothes, under far from extreme laboratory conditions designed to imitate normal washing, as far as possible, without wearing."

The association is conducting

further tests, which involve a panel of consumers wearing clothes and then taking them for laboratory washing. These tests, unlikely to be complete before December, will be on the old and new formulations of the product. "Thousands of consumers are still using old and new formulations of the detergent," Mr Prentice said. "They deserve a little more plain speaking from Unilever."

Unilever said it believed very little of the original detergent was still in use. It was "baffled" about why CA had intervened when its own tests were incomplete. "We reiterate that any laboratory tests do not reflect real life," it said.

Mr Tabakshlat, who made his comments in China, provided the first explanation from Unilever of the problems with the powder. He said on Thursday: "I think we were very enthusiastic about an exciting new product... and did not look closely enough at the negatives. Somewhere between research and marketing, something went wrong... under the normal pressure to be first to the market."

Government

plan to lift rebate for private pensions

By Norma Cohen,
Investments Correspondent

The government intends to increase the rebate it will pay after 1997 to people who take out private pensions, to compensate for the high commission and charges levied by insurance companies.

While the move will benefit personal pension holders, it is bound to be controversial because it protects insurance companies at the expense of the taxpayer. The rebate returns to personal pension holders a portion of the national insurance contribution they currently pay. But because the government is eager to encourage contracting-out through personal pensions, it is determined to press ahead with additional payments to cover providers' costs.

The government's Actuary's Department is working out how much additional rebate will be paid.

"The problem is that unless a rebate incorporates the costs of the provider, it will never be 'best advice' to urge someone to contract out of the state earnings-related pension scheme through a personal pension," said one government official familiar with the discussions.

The social security department said yesterday it had decided not to use its powers under personal pensions legislation to cap insurance company charges.

Instead, it intends to rely on the regime due to be introduced in January, which will disclose to customers how much they are paying in charges and commissions when they take out a personal pension.

Actuaries at William M. Mercer and Co estimate that people who make no contribution to their personal pension other than the national insurance rebate pay between 4 per cent and 13 per cent of it to the insurance company in costs. However, some life insurers also impose a flat-rate monthly charge of £2 to £4 - revised upwards annually, usually according to inflation.

The roughly 40 per cent of personal pension holders who make additional contributions to their fund have such monthly charges levied automatically. In addition, they pay annual fund management fees.

A personal pension holder earning a rebate of £100 per year could lose as much as £61 of it in charges.

Brussels may act to curb bank charges for money transfers

By Emma Tucker in Frankfurt
an der Oder

European Union banks may face increased pressure to limit double charging and hidden costs on internal cross-border payments and speed up the rate at which they are carried out.

Such pressure, from the European Commission, might take the form of an EU directive. It would be aimed at easing the costs on consumers and small businesses that rely on banks to make transfer payments within the EU, and would remove an obstacle to the smooth functioning of the single market.

Mr Raniero Vanni D'Archirri, commissioner responsible for the single market, told ministers at a meeting in eastern Germany that the pressure on banks to stop double charging - imposing fees at the sending and receiving end of a transfer - had to be stepped up.

However, he sought to allay bank fears by emphasising that any legislation would not be "heavy or intrusive" but the minimum necessary to improve the current situation.

The need for action follows a survey, ordered by the Commission, which found that many banks were not complying with EU targets, set at the end of last year, on double charging, transparency and the time taken to complete a transfer.

The targets decreed that cross-border transfers should not attract double charging and that banks had to provide clients with complete written information on the costs involved in payments. An initial report last year said charges were duplicated in 43 per cent of transactions. It found that "on average a 100 euro cross-border transaction cost 20 euros".

Banks were also required to complete the cross-border transaction on the first working day after receiving the request.

Mr Vanni D'Archirri's inclination to take legislative action is likely to lead to a row in the Commission. Mrs Christiane Scrivener, commissioner responsible for consumer affairs,

believes a voluntary code of conduct for banks would be more appropriate.

The banking lobby has also mounted an effective campaign against legislation, arguing that regulation might result in banks withdrawing their services altogether. They argue that tough requirements on speed might cause banks to refuse to execute payments to EU countries with less efficient payment systems.

The European Community Banking Federation wrote to Mr Vanni D'Archirri in the summer urging pragmatic joint action between banks and the Commission and objecting to a draft plan on cross-border payments. On double charging, the federation argued that the Commission should recognise the merits of offering customers a choice of charging arrangements.

However, not all banks oppose legislation. Some believe that the present arrangements discriminate against banks that stick to the guidelines. They would like legislation to make standards conform.

Ukraine and IMF reach initial economic agreement

Continued from Page 1

Ukraine in the cabinet of ministers and the communist-dominated parliament would support the deal, which, he said, had created "an unprecedented political consensus on the need for

reforms in Ukraine". Mr Yushchenko said that Mr Vitalii Masol, the Ukrainian prime minister, was likely to sign the agreement with the IMF.

The agreement with the IMF, and the brightest prospect for far-reaching reforms in Ukraine,

suggest that the country's provincial and often instinctively conservative political élites have realised that without an improvement in Ukraine's collapsing economy the nation is unlikely to survive as an independent state.

Professor Anders Aslund, the Swedish economist who has been advising the Ukrainian government, said that "there is now the best chance yet for a commitment to reform by the Ukrainian government. There is now the clear will to move forward."

FT WEATHER GUIDE

Europe today

A vigorous low pressure system will circulate rain and cloud around the Gulf of Biscay. All western France will have rain, as will southern Britain. There will be a band of rain and thunder storms over the Alps, southern France and the western Mediterranean. Much of continental Europe will be influenced by high pressure over Germany and Poland. It will remain dry and mainly sunny with temperatures from 18C in northern Europe to 30C in southern Italy and Greece. An active low pressure system over northern Norway will cause rather unsettled conditions over northern and western Scandinavia.

Five-day forecast

The low pressure over the Gulf of Biscay will move across the Low Countries towards southern Scandinavia. Meanwhile, an area of high pressure will build west of Ireland. This will cause increasingly unsettled and cooler conditions in western Europe. A strong north-westerly flow will develop over the North Sea and Scandinavia. Sweden and Norway will have plenty of rain next week and it will be windy at times.

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	31	Madrid	26	Paris	18
Accra	31	Cardiff	18	Frankfurt	19
Algiers	27	Casablanca	23	Geneva	17
Amsterdam	18	Chicago	23	Glasgow	17
Athens	29	Cologne	26	Hamburg	18
Bahia	24	Dakar	28	Helsinki	18
Bangkok	31	Dallas	22	Hong Kong	28
Buenos Aires	24	Delhi	25	Kobe	21
Bombay	28	Dubai	34	London	18
Brisbane	21	Dublin	18	Los Angeles	27
Brussels	21	Edinburgh	16	Manila	28
Cairo	33	Geneva	17	Mexico City	21
Cape Town	22	Hong Kong	28	Moscow	17
Caracas	31	Kuala Lumpur	28	Mumbai	28
Cebu	28	London	18	Nairobi	27
Dhaka	28	Luxembourg	18	Rangoon	28
Dublin	18	Madrid	26	Reykjavik	7
Frankfurt	19	Manila	28	Rio	26
Geneva	17	Melbourne	22	Rome	23
Glasgow	17	Mexico City	21	Sao Paulo	23
Hamburg	18	Moscow	17	Singapore	31
Helsinki	18	Mumbai	28	Stockholm	18
Hong Kong	28	Nairobi	27	Taipei	23
Kobe	21	Rangoon	28	Tokyo	27
London	18	Reykjavik	7	Toronto	18
Los Angeles	27	Rio	26	Vancouver	19
Manila	28	Rome	23	Vladivostok	25
Mexico City	21	Sao Paulo	23	Warsaw	17
Moscow	17	Singapore	31	Wellington	13
Mumbai	28	Stockholm	18	Winnipeg	26
Nairobi	27	Taipei	23	Zurich	23
Rangoon	28	Tokyo	27		
Reykjavik	7	Toronto	18		
Rio	26	Vancouver	19		
Rome	23	Vladivostok	25		
Sao Paulo	23	Warsaw	17		
Singapore	31	Wellington	13		
Stockholm	18	Winnipeg	26		
Taipei	23	Zurich	23		
Tokyo	27				
Toronto	18				
Vancouver	19				
Vladivostok	25				
Warsaw	17				
Wellington	13				
Winnipeg	26				
Zurich	23				

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THE LEX COLUMN

Growth accelerates

At first glance yesterday's second quarter UK growth figures suggest consumers have been literally tightening their belts since April's tax rises. Spending on food fell a striking 2.8 per cent during the quarter. The usual worries over seasonal adjustment, however, mean such data must be taken with a pinch of salt. The data may also again understate the savings rate, but the broad message is clear. Thanks not least to a robust export performance, the economy is growing at a vigorous clip and, despite a fall in real disposable income, individuals seem willing to reduce their net saving to finance consumption.

The question is whether this increased propensity to borrow reflects a lasting improvement in confidence. Perhaps tax increases have taken cash out of consumers' hands before they have had time to adjust their spending habits. If so, private consumption may soon decelerate markedly, especially now that base rates have risen. Despite yesterday's strong figures the authorities have grounds to wait a while before considering another increase.

Clearly, though, the overall rate of growth will remain decisive. Even if consumer demand is not overheating, export-led growth still means the output gap is closing. Capacity use is tightening and manufacturers have a greater inclination to pass on cost increases. The authorities would almost certainly prefer growth closer to 3 per cent. Easing it back to that level without trampling on consumer confidence in the process will be a delicate task.

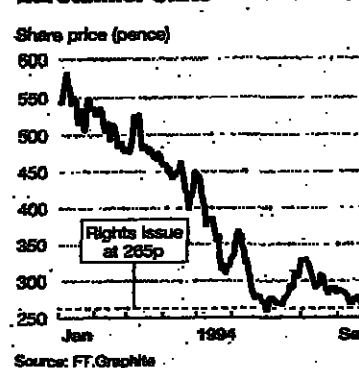
Building societies

Yesterday's UK Treasury document on building societies' attacks of regulatory capture. Though the aim is to solicit opinion about future regulation, the tone suggests support for further liberalisation with only token gestures on accountability. The paper is quick to point, for example, to the need to bar "obstructive" member-nominated directors. Doubtless society boards would like freedom without more responsibility, but one must also ask why the debate about deregulation has arisen in the first place.

The market in which societies operate is no longer just concerned with housing finance. What was once their main activity has been subsumed into a broader retail financial services industry in which the societies compete with banks. In the interest of fair

FT-SE Index: 3028.2 (+7.0)

Eurotunnel Units



competition it would make sense for all players to come under the same regulatory framework. That might involve lifting restrictions on building societies, so that they can make syndicated loans to housing associations. But it then becomes hard to justify a corporate structure which exempts them from paying dividends to their owners and makes them almost immune to outside takeover.

One step towards improved accountability would be to require society boards to be elected by a general meeting with members' votes weighted by size of deposit and length of association. Another would be to insist that hostile takeovers are communicated to members immediately, not simply "at the next general meeting" as the government is proposing. Alliance & Leicester already owns a bank. It would be unsatisfactory if Lloyds Bank proved with its bid for Cheltenham & Gloucester that banks are in effect barred from owning a society.

Eurotunnel

The muted reaction of Eurotunnel's share price to this week's news that a full shuttle service for drivers and cars will be phased in from November is understandable. The tunnel has been dogged by colossal risks ever since the project was conceived. Now the worry is focused on the risk that the project will not be able to generate the returns necessary to cover its operating costs and to service a funding requirement calculated to be £10.1bn at its peak. As the maximum commitment Eurotunnel has teased out of its bankers is £10.5bn, there is only limited room for manoeuvre.

On the basis of assumptions made in April, when the project was rescued with a rights issue, Eurotunnel hopes to make a small pre-tax profit in 2002 and a declare a dividend for the following year. But some of the assumptions on revenues and interest rates made then already look questionable. For example the delay in opening the shuttle service has meant that Eurotunnel missed the peak summer season; details of the resulting shortfall will be disclosed at the interim stage next month. Eurotunnel may soon breach its banking covenants, possibly requiring shareholders to stump up fresh equity for the fourth time since the project was launched.

Completion of the tunnel is undoubtedly a historic achievement which may one day prove lucrative to its owners. But the debt burden is so great that this generation of shareholders is unlikely to enjoy a bonanza.

New issues

This has been a bad week for new issues. On Thursday, the share price of MDIS, a software group floated in March, halved after it reported profits below expectations. The day before Aerostructures Rumble, an engineering company floated in May, saw its shares fall 40 per cent after a profits warning. Both companies were optimistic about prospects in their prospectuses. What should investors conclude from such fiascos? Certainly not that new issues are to be avoided. While new issues are not the easy route to a quick profit that many used to think, there is no need to swing to the opposite extreme. On average, companies floated this year have slightly outperformed the market. Investors should also resist the temptation to call for more regulation. The regulations are already tough enough. Under the Financial Services Act, companies and their advisers are liable for damages if they are negligent in preparing a prospectus. Of course, it is hard to prove negligence, meaning investors have little practical recourse. But tighter regulation would tie companies and their advisers up in more red tape without giving investors any complete guarantee. Nothing will change the fact that equities are a risky investment. The best sanction is to keep a close eye on the banks that sponsor issues that flop and avoid their deals if a poor track record develops. For the record, MDIS's bank is Barings, while Aerostructures' is N M Rothschild.

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Jane Carter
General Secretary
United Nations Association (International Service)

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Weekend FT

SECTION II

Weekend September 24/September 25 1994

D-Mark, D-Mark, über alles?

When Germany was reunified, Europe trembled. David Marsh investigates whether those fears are being borne out

Visions of a united and aggressive Germany, economically far stronger than the Third Reich, have worried many others besides Lady Thatcher, the former British prime minister.

After the collapse of the Berlin Wall in November 1989, such fears were voiced throughout Europe. They were a strong motive behind the plan sponsored by the French government and the European Commission to create a single European currency under international control, and so limit the new Germany's economic independence.

But monetary union appears increasingly uncertain, not least because of doubts in Germany; meanwhile the German economic machine is moving once again steadily forward.

So how long will it take for the eastern and western parts of the nation to grow together? Will the Germans rediscover a sense of national identity after 40 years of division? And then, most important, and potentially alarming, will the Germans again dominate Europe?

Four years after the two Germanys were united, the answers are starting to crystallise. First, although economic growth has resumed after the early shock of unification, eastern Germany will not catch up with the west until 2010 at the earliest – far later than the optimists (including Chancellor Helmut Kohl) forecast in 1990.

Second, national solidarity seems to have diminished rather than strengthened since 1989. Mass unemployment in the east, and the heavy cost to west German taxpayers of DM150bn in subsidies paid annually to the east, have caused resentment on both sides of the Elbe.

A recent opinion poll indicated that only 28 per cent of Germans in the east, and 47 per cent of those in the west, regarded the German nation as "one people" – many fewer than four years ago. The poll also showed a strong consensus that the D-Mark should not be abandoned in favour of a single Euro-currency.

Third, united Germany is not in a dominant mood – nor does it look likely to be. Although larger than the old Federal Republic, it is weaker in political balance, in economic structure, in ability to govern itself, in capacity to exert patient influence on its neighbours. Indeed, a wish to preserve the D-Mark seems to symbolise a desire for national continuity rather than the dominance of others.

Some of the anxieties of Germany's neighbours were allayed by the greater than expected problems which it faced after unification. The country is neither flourishing, as Kohl forecast, nor dominating, as Thatcher feared. This summer, Douglas Hurd, the British foreign secretary, told the German magazine *Der Spiegel* that his former boss's fears were "her chief foreign policy mistake after the fall of the Berlin Wall."

Indeed, Germany's energies will be largely absorbed by its domestic challenges at least until the end of the century. During four decades of division, the Federal Republic, closely integrated with the West, grew wealthy, comfortable and indecisive. It became a country of efficiency and self-effacement: its speciality

was no longer motorised war but motorised holidays. As the evening of 1989-90 showed, it was not a country that could carry out the radical reordering of national priorities made necessary by the huge task of unification.

Although Kohl's stature gained greatly from the triumph of unity, it was weakened by the difficulties which followed. If the chancellor's position is further undermined in the October 16 general election, opportunities for vigorous government leadership could diminish further.

Those still anxious about Germany might consider the following statistics: In 1970, West Germany accounted for 29 per cent of the total income of the 12 countries

now in the European Union. In 1993, united Germany's share of the EU's income was slightly lower at 28 per cent. United Germany's share of world output last year was about 7.5 per cent compared with 9 per cent in 1970 for West Germany alone. (The US's share last year was 27 per cent, Japan's 16 per cent.)

The takeover of moribund East Germany has made the Federal Republic – for the time being – a poorer country.

A good place to see how Germany has been transformed is the town of Jena, in Thuringia, in eastern Germany, the home of Carl Zeiss, the world-famous optical group. This was one of the successes among the German Democratic Republic's

battered industrial enterprises. Tower cranes soar over rubble-strewn building sites, while excavators and sparkling new glass offices glint against the still-draab background of pre-war apartment blocks. Zeiss has benefited from DM3bn in public sector grants, yet – as the result of mass layoffs since unification – unemployment in the town has risen to nearly 30 per cent.

Jena's future is unquestionably brighter than five years ago. But people shopping in the sunshine last week made no secret of their disillusionment. A middle-aged dental assistant spoke of the "misery" of her unemployed friends, while a young pram-pushing mother said east Germans had been unprepared for the hardships

that followed unification.

Lothar Späth, the chairman of Jenoptik, the company set up by the Thuringian state government to run part of the old Zeiss activities, admits that the Bonn government underestimated the size of the task. Three years ago, Späth, a one-time ally of Helmut Kohl and former premier of the prosperous west German state of Baden-Württemberg, took on the job of trying to attract hi-tech investment to Thuringia.

In a coolly-furnished office high in Jenoptik's renovated headquarters in central Jena, Späth says west Germans must accept the need to subsidise the east for 10 to 15 years, although at a declining rate.

Späth says, with a Swabian chuckle, that west Germans' reluctance to take decisive action to help overcome east Germany's difficulties may have added DM100bn to the reunification bill. However, this has brought some advantages. "Our neighbours would have been far more nervous if, with typical German thoroughness, we had all been ready to make big sacrifices. I am not unhappy that there was no great national enthusiasm. It is good that we can point out to foreigners that the west Germans are speaking badly about the east Germans, and vice versa."

As for the worry that Germany will flex its economic muscles on its neighbours, Späth says: "We will be the leading economy in Europe, but we will not be dominant. The big international corporations are taking ever less consideration of national boundaries. In future, a lorry driver in Australia will never know that the axle comes from Brazil, the coachwork from Indonesia, the motor from Hungary and the know-how, perhaps from Germany. This globalisation means that we will no longer be able to talk of countries running dominant economic policies – which will be for the good of Europe."

Jochen Bergmann, the head of the Jena Chamber of Industry and Commerce, takes a similarly internationalist line: "I don't understand all this talk of domination. We need a strong Germany, a strong France and a strong Britain to stand up to the competition from China."

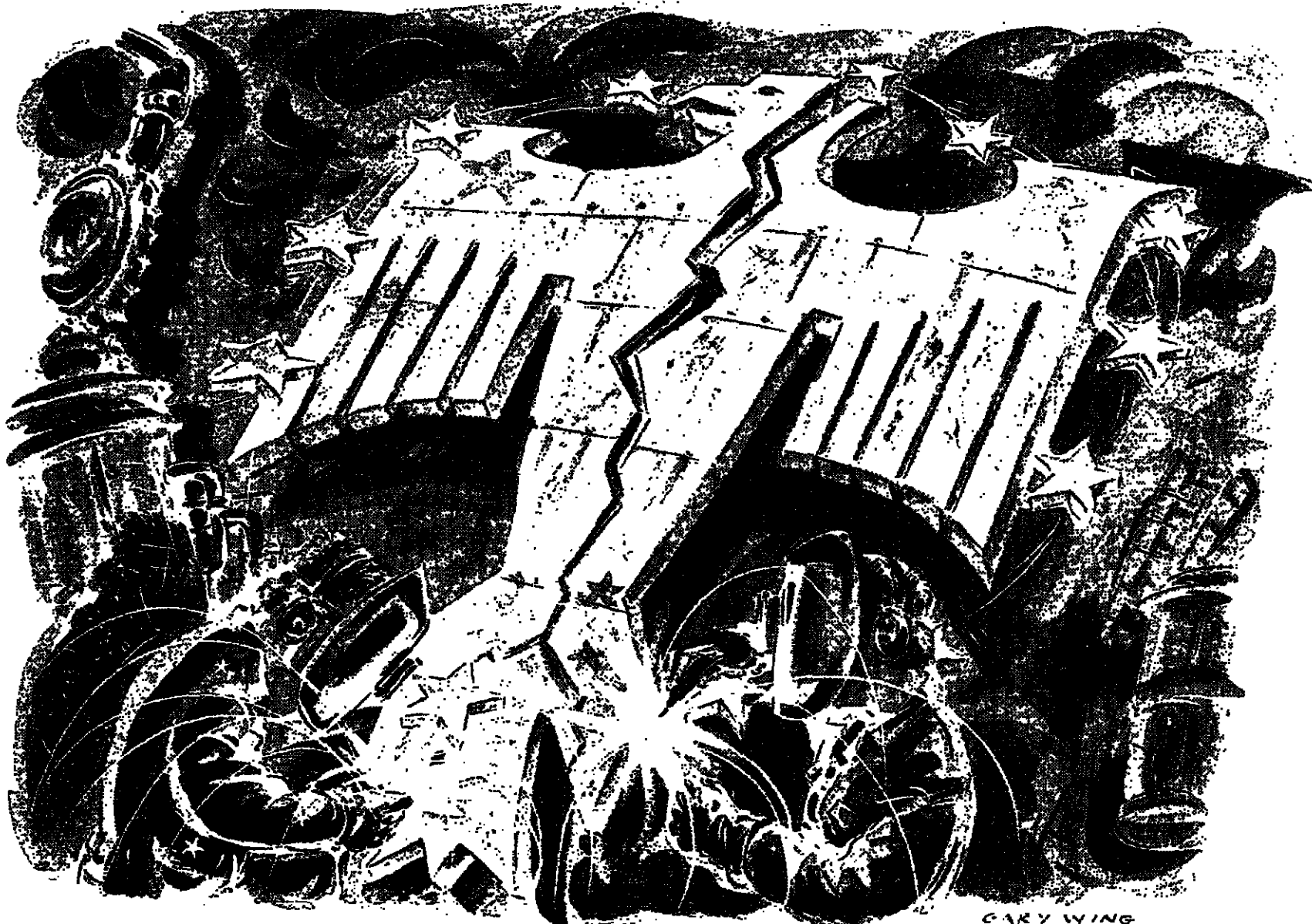
The German economy now looks a great deal more healthy following the sharp 1992-93 recession in the west and the shattering 40 per cent economic contraction in east Germany in 1990 and 1991. Germany is now on course for 2.5 per cent expansion this year, while east Germany – where per capita income is still only 40 per cent of levels in the west – is growing at an annual 5 per cent to 10 per cent.

However, earlier reluctance to reduce the high costs of Germany's manufacturing base has stored up pain for the future, according to Roland Berger, who heads the Munich-based firm of management consultants bearing his name.

Berger, whose company is owned by the Deutsche Bank, says high wage rises in the early period after unification have further reduced Germany's international competitiveness. He says west Germans need to cut their living standards further during the next few years. And he forecasts that manufacturing industry will become relatively less important in the economy, as employment is switched to low-cost manufacturing sites abroad. Although Berger forecasts an increase in employment in the underdeveloped service sector, he believes that 2m jobs may be lost in the vulnerable sectors during the next three or four years.

Herbert Henzler, chairman of the German operations of the McKinsey management consultants, also takes a gloomy view. In spite of this year's much better than expected German export performance, he says, "A 30 to 40 per cent gap in production costs [compared with competitors in Asia and the US] cannot be made up in a few months."

Continued on Page IX



CARY WING

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Bears, birds, otters and elephants: on safari from Amazonia to the Shetlands

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The Long View / Barry Riley

When numbers deceive



Truth is an elusive concept, in the financial markets as anywhere else. Whatever the scope for developing measurement standards of precise technical accuracy, the commercial pressures will often dictate a blurring of the

vision. Harsh numbers can create discontent, unless tweaked or evaded.

This week, I have spent an instructive few days in Edinburgh at a congress of European financial analysts who are, rightly, concerned about whether the companies in which they invest are telling the truth about their performance. But, too often, the analysts are in turn busily pulling the wool over the eyes of their own clients, whether pension plans or investors in mutual funds.

The argument for accurate financial reporting by listed companies is simple and powerful. Only if clear and honest numbers are reported can share prices be set accurately by the markets, so that capital can flow in an efficient way to the most attractive investment opportunities. At the same time, it can be withdrawn from enterprises that have large quantities of capital employed but can only achieve low returns.

In the real world, however, companies rarely produce strong and progressive profit figures. There are awkward fluctuations, even in the profits of successful companies. So, finance directors are tempted to iron out the variations, to generate the nice, smooth sequence of profit numbers that the stock market appears to want.

One of the dodges employed by British companies has been to use takeovers as a cover for profit smoothing. The rules of acquisition accounting have, until now, permitted companies to set up large balance sheet provisions to cover the direct costs of acquisitions and the subsequent expenses of restructuring.

Far from mergers being expensive and disruptive, which is the economic

reality, the accounting presentation has been that takeovers often generate immediate earnings gains. Hence the uproar this week when finance directors attacked the restrictive new draft accounting standard, FR57, which curbs the ability of acquisitive companies to shuffle take-over costs from their profit and loss accounts and bury them in their balance sheets.

In Edinburgh, the chairman of the Accounting Standards Board, Sir David Tweedie, pointed out to the analysts that this was simply one more stage in the process of eliminating creative accounting. Already, the "extraordinary" items which used to litter the accounts of British companies have been eliminated.

The old rule was that exceptional items counted towards earnings per share but extraordinary items did not. Oddly enough, exceptional items almost always seemed to be positive but extraordinary items were negative. It is, however, still possible to play a game with exceptional items, as is shown by the practice of "big bath" provisions.

The stock market can, perhaps, be persuaded that so-called "charges" set up in anticipation of restructuring expenses or redundancy costs are unusual and do not reduce – indeed, may even improve – the future earnings potential. Grand Metropolitan tried this one on Monday for the second time in less than a year. But if such provisions become routine, how can they be described as exceptional?

Fragile accounting concepts can take a terrible battering when major commercial objectives are at stake. But do the financial analysts have their own hostages to fortune here? Murky things can also go on when fund managers present their own investment returns, and it is interesting that the European analysts have set up their own commission to attempt to raise standards in this area.

Often, the whole embarrassing subject of investment performance is avoided carefully. During the Edinburgh conference, for instance, four

Scottish investment institutions – Standard Life, Scottish Widows, Murray Johnstone and Baillie Gifford – outlined their achievements and their strategies. None offered performance data of any kind, an omission equivalent to four major listed companies giving presentations without mentioning their profits or their returns on capital.

The uncomfortable underlying truth, of course, is that most fund managers produce unexciting results: indeed, by mathematical principle, the average manager cannot beat the index. Moreover, academics have shown that most managers who do outperform for short periods do so simply by chance.

(Incidentally, on a slightly different subject, a French professor, Bertrand Jacquillat, presented a study which indicated that analysts working for brokers who attempt to forecast company profits also show no signs of consistently beating the herd. Such results do not show that the analysts are incompetent but, rather, that the markets are efficient.)

The European Federation of Financial Analysts' Societies, to give them their full title – are setting up a commission to try to sort out the jungle of performance measurement. At present, it is notorious that investment houses tend to cherry-pick their best-performing funds and individual managers and present them as representative rather than exceptional. Weak funds are, somehow, dropped. Everybody in the fund management business, if you believe the claims, has a better-than-average performance, at least over some carefully-selected period or other.

If chance and the law of averages are indeed the dominant influences, it might be better to choose a below-average fund manager whose fortunes may be on the turn rather than a top performer whose lucky streak is about to run out. Ironically, the better and more reliable the performance numbers become, the more irrelevant they may be seen to be. Truth may be less influential than fiction.

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28/9/94

MARKETS

London

A glimmer in the September gloom

Clay Harris, financial news editor

The stock market's black September lightened a touch near the week's end, but equities continued to feel sore from a whiplash of shunts from the US and bumps from Germany. There was little domestic comfort either, as it became clear just how decisively last week's interest rate rise has transformed the investment outlook. Until the modest recovery on Thursday and Friday, September had developed into the cruellest month for equities in 1994, with the FT-SE 100 index already showing a bigger decline than the 6.78 per cent drop it suffered in March.

As well as equinoxes and unsettled weather, those two months also mark the high tides of corporate repining. The September peak has passed, with most companies providing little grounds for optimism to offset the prevailing malaise.

On Wednesday, Kleinwort Benson Securities translated this sentiment into hard numbers, cutting its forecast for earnings growth in 1995 from 10 per cent to 8 per cent and counselling clients to look towards bonds rather than equities for the time being.

It will not be easy in bonds either. The yield on 10-year gilts breached 9 per cent on Tuesday for the first time since October 1992. By yesterday, however, it was down to 8.86 per cent. The government bonds market took in its stride news both of a £2bn gilt auction, on the low side of expectations in terms of size, and the German announcement of a rare issue of floating-rate bonds. The latter proved a puzzle, giving no explicit pointers to the timing - or direction - of the Bundesbank's next interest rate move.

London was evenly divided between judging the move desperate or clever.

Figures published on Tuesday showed a lower than expected rise in bank and building society lending and a fall in lending to the corporate sector in August. This helped to allay worries of inflationary pressures, although the British Bankers Association also noted a jump in lending to individuals and a fifth monthly rise in consumer credit, suggesting that the April tax increases were beginning to be felt in household budgets.

Friday's GDP figures not only appeared to bear this out, but indicated the squeeze had begun even earlier. According to these data, real disposable income fell by 1.8 per cent between the first and second quarters of 1994, the biggest such decline for 13 years. But some analysts noted that the figures were contradicted by strong retail sales data in the second quarter.

Never mind the ambiguity, equities found solace in even a hint of news that arrested the slide. The FT-SE 100 index gained 7 to 3028.2 on Friday, to limit its loss for the week to 36.9 points.

The worst day was Tuesday when a widening US trade deficit spooked markets everywhere and cost the FT-SE 100 41.8 points. But the next day brought better than expected German money supply figures, which gave London a respite, before US housing statistics knocked shares down again.

While most of the market was in the dumps, Browning-Ferris Industries of the US thought it could find treasure in trash. It launched a surprise takeover bid for Attwoods, which has attracted as much attention over the years for the colourful characters on its board and in its orbit as for the garbage business itself.

Attwoods said "rubbish", in Citypeak, to the £564m bid and its shares now stand at 116p, against BFI's 109p offer.

A dawn raid by the Mirror Group picked up 14.9 per cent of Scottish Television's shares for £27.4m. Although Mirror, as a national newspaper publisher, faces a 20 per cent regulatory cap on its potential stake in the ITV company, the shares of other medium-fry regional broadcasters jumped.

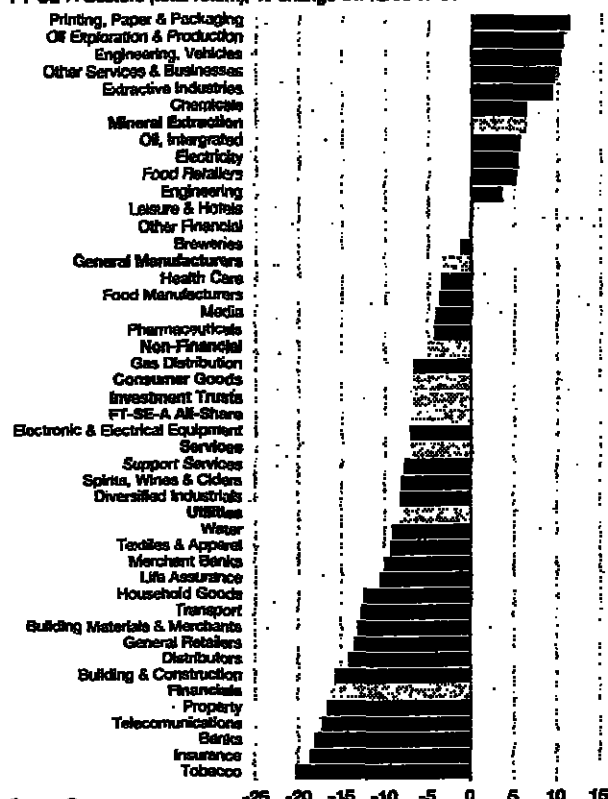
Another rare pillar of support came in the electricity distribution sector where Northern Electric helped to buoy sentiment by buying in 10 per cent of its shares.

And drugs proved a more pleasant distraction than for the Liberal Democrats in Brighton. Speculation about a merger between pharmaceutical giants Zeneca and Wellcome pushed their respective shares 1.4 and 4.1 per cent higher on the week, although their attractions faded as the general market firm.

Spirits were not as high at Guinness and Grand Metropolit-

Diminishing returns

FT-SE-A Sectors (total return), % change 31/12/93 to 22/9/94



tan. United Distillers, on which Guinness relies for two thirds of its profits, saw first-half operating profits fall by more than 4 per cent to £258m. GrandMet devoted more than half of a £280m restructuring charge to a shake-up at International Distillers and Vintners, the world's biggest spirits producer. Speaking of dog's breakfasts, GrandMet also sold its US pet food brand Alpo to Nestlé for \$510m (£325m).

British Aerospace trebled its interim underlying profits to £90m, but worried the market with increased losses on commercial aircraft and a £115m cash outflow in spite of selling Rover to BMW for £800m. Its shares initially fell 26p to 445p, but recovered most of the loss by Friday.

A BAE spin-off was one of two recent flotations whose price charts now resemble Niagara Falls. Aerostructures Hamble, bought by management from BAE in 1990, fell 50p to 73p after warning of problems with contracts. It floated at 120p barely three months ago. McDonnell Information Systems, which came to market in March at 280p, saw its price cut in half to 112p on poor interim results.

Serious Money

Freeing trusts to roam the world

Gillian O'Connor, personal finance editor

The Securities and Investment Board's creeping overhaul of the unit trust industry's rulebook combines deregulation with improved disclosure. The British nanny mindset is giving way to the American idea that the investor can be expected to look out for himself provided he is given all the relevant information.

This week's tinkering came from two directions. The SIB itself (the top watchdog) proposed changes to several aspects of the rulebook. And its offshoot, the Personal Investment Authority (concerned with products sold to the public) published its disclosure proposals for unit trusts.

The PIA's disclosure proposals are discussed on page VII, where they get a "beta minus": generally OK but the information on the effect of charges on your investment needs to be far more clearly set out. Charges on an average long-term investment in a unit trust have roughly trebled in the last 15 years. And although low charges cannot turn a dud fund into a star, they can drag a star down to earth. Would it not be helpful actually to illustrate the effect of such charges?

The SIB's loosening of its controls on authorised trusts does three things: it allows unit trust managers the charging freedom already enjoyed by managers of unit trusts wrapped inside a Personal Equity Plan; it gives them greater freedom to decide where to invest; and it simplifies the price information which trusts are required to publish.

The price simplification gets rid of the requirement to publish the cancellation price, and is part of "moves to a more user-friendly terminology". Fair enough, although the cancellation price was actually useful to the handful of unit trust investors who understood it. If the bid price (what you get when you sell your units) is the same as the cancellation price, it means you are getting the lowest possible price the managers are allowed to pay. When share prices are generally on the rise fund managers pay slightly more than the minimum when buying units - so that they can also charge the maximum permissible when selling units.

The relaxation in investment restrictions is in many ways the most interesting change - for it may allow managers of emerging markets funds to do a better job. At the moment authorised unit trusts have to keep 90 per cent of their money in markets on the SIB's rather strict "approved" list. Only 10 per cent can go into unapproved markets.

But most of the stockmarkets in south east Asia and South America are not on the list. So unit trust managers wanting a broad spread across markets in these areas have two choices: they can run the trust from an offshore centre such as Dublin or Luxembourg, which has different rules; or they can use circuitous (and probably costly) routes to get the same portfolio spread.

The SIB change will push responsibility for deciding which markets are suitable on to the fund managers and their trustees. They will still be bound by the 90-10 rule. But it will be up to them to define the boundaries. It is a welcome change, but like all freedoms, capable of being abused. So keep a close eye on the lists of "eligible markets" that many funds will start publishing later this year.

Creative accountancy is like plastic surgery: it does not of itself delay the final reckoning, but it stops the outside world noticing mortal decay at work. And an appearance of youth may help the moribund to cut a few final capers.

HIGHLIGHTS OF THE WEEK

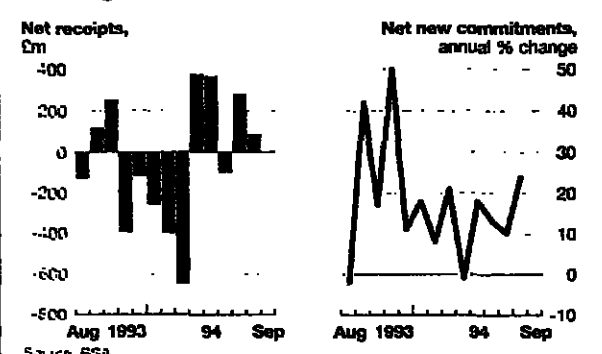
	Price y'day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3028.2	-36.9	3520.3	2876.6	Interest rate worries
FT-SE Mid 250 Index	3590.9	-55.2	4152.8	3363.4	Buyers withdraw
Aerostructures Hamble	72	-51	126	72	
Argyll Corp	288	-22	315	222.4	Fears of price war
British Airways	373	-94	496.4	364.4	Air fare wars
Granada	501	+15	598	475	Analysts recommendations
GUS	559	+18	653	524	Share buy-back speculation
Kleinwort Benson	466	-28	693	424	Turbulent markets
London Elect.	714	+26	753	534	'Rece' rally
McDonnell Info.	109	-110	264	109	Dismal interim figures
Midlands Elect	790	+17	840	547	Share buy-back expected
Sainsbury (J)	397	-40	480	342	Fears of price war
Scottish Television	491	+47	574	355	Mirror buys 15% stake
Tesco	232.1	-16	255	200.4	Fears of price war
Vodafone	198	+11.1	212	157.6	Hoare Govett positive

AT A GLANCE

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Building Societies



New net lending by building societies falls

Now net lending by building societies fell in August to £3.02bn from £3.24bn in July, underlining fears of a halt in the recovery of the housing market. Net new commitments are loans agreed but not yet undertaken and the figure is an important forward-looking indicator, since commitments made in one month tend to translate into loans in the following few weeks.

Building society savings levels also fell in August compared to the previous month with net receipts down to £91m compared to £266m in July. Mortgages, page VIII

Watchdog's deregulation call

The Securities and Investments Board, the chief City watchdog, this week proposed greater deregulation in the unit trust industry with a series of measures which are to come into effect on November 1. Unit trusts will be able to impose exit charges and will not have to publish the cancellation price - the lowest price at which units can be sold - in the national press.

In addition the terms "offer" - the price at which units are bought - and "bid" - the price at which they are sold - have been removed from the regulations in an attempt to move towards more user-friendly terminology. Serious Money and page VII

Swan Hunter pension example

Pensioners who are counting on the government's proposed minimum solvency requirements as insurance that their pension benefits will be paid in full should consider the case of Swan Hunter. The shipyard, now almost certainly facing receivership, has had to tell its members that as much as 40 per cent of their pension entitlement will be lost. The irony is that according to the scheme's actuary, it technically is nearly 100 per cent fully funded as measured by the new solvency requirement.

Smaller companies decline again

Shares in smaller companies continued to decline this week. The Hoare Govett Smaller Companies Index (capital gains version) dropped 1.6 per cent to 1661.52 over the week to September 22.

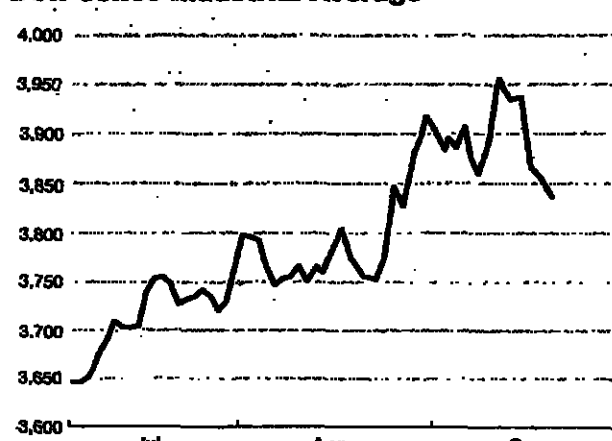
Next week's personal finance

A decision is expected next Wednesday on which of Coloroll's former employees are entitled to get what from the former high-flyer's pension fund. It will be a test case in the argument over pensions equality.

Wall Street

...but the threat of October chill looms

Dow Jones Industrial Average



usually feed through into higher prices in stores, the skeptics fear. Angell has also been sounding alarms all year about the rising gold price, a market indicator that Alan Greenspan, the Fed chairman, has said he watches closely.

Higher interest rates hurt stock prices because they reduce companies' profits, adding to the costs of servicing their debt while

price and devastated share prices. Since then, though, the stock market has adapted to this new phase of the market: by marking share prices down in anticipation of an interest rate rise, traders leave less room for surprise. The bad news, when it comes, is at least put behind the market.

That, at least, was the reaction to the Fed's last two rate hikes, on 17 May (when the Dow jumped 50 points) and 16 August (when it rose 25 points). Each time, it seemed that the Fed would not have to act again for some months. If rates go up for a sixth time next week, though, how confident will the market be that this time really is the last?

Whatever the short-term reaction, it seems likely that the stock market will have trouble rallying much until bond investors regain some of their lost confidence. While stocks have continued to bump along close to their all-time highs, in spite of the volatility, bonds have slid steadily. At 7.8 per cent, up around 13 basis points (hundredths of a percentage point) on the week, the yield on 30-year government bonds is at its highest level since for more than two years (lower prices equate to higher yields). At yesterday's level, the yield on long-term bonds is 3 percentage points higher than at the peak of the market's peak last October.

Over the same period, the dividend yield on shares has remained essentially flat, at less than 3 per cent. As the gap between bond and equity yields widens like this, it becomes ever-harder to justify holding shares: either bond prices will have to fall (bringing the yield down), or share prices will have to fall (lifting the dividend yield).

Against this background, warnings of a 10 per cent "correction" (to you and me, that means fall) in share prices continue to echo around Wall Street. And, as one commentator is beginning to point out, it is nearly October again - the stock market's favourite month for a collapse.

Richard Waters

Monday	3926.73	+ 03.37
Tuesday	3869.09	- 57.63
Wednesday	3881.09	+ 11.99
Thursday	3897.13	+ 14.47
Friday		

The Bottom Line

Singing the new-issue blues

evidence suggests that the successes still outweigh the duds. The table shows the best and worst performers among the 84 UK trading companies worth over £10m which have floated so far this year. The share price performance is measured against the FT All-Share index from the first day of dealing until the close of trading on Thursday.

The average is a gain of 5.8 per cent. This is influenced heavily by some spectacular increases from very small companies such as Magnum Power and Waste Recycling. But the average, weighted by market value, would also be ahead thanks to good increases from 31 (up 24.7 per cent) and House of Fraser (up 18.6 per cent).

Yet, the gain is hardly impressive given that new issues are priced to give a reasonable premium on first dealings. For private investors, the

Float or sink?			
Best performers	%	Worst performers	%
Magnum Power	+97.8	ORS	-54.9
Waste Recycling	+53.5	MDS	-52.9
Trafficmaster	+46.7	Coda	-50.0
Inspec	+41.5	Aerostructures	-38.7
My Kinda Town	+41.5	MAID	-35.0
Domnick Hunter	+39.5	Chiroscience	-32.5
GRT	+30.4	United Carriers	-26.5
Parco	+27.3	Wainhomes	-24.2
Alpha Airports	+25.4	Nottingham	-22.7
Ideal Hardware	+25.4	Beezer Homes	-20.2
Average +5.8†			

†Share price performance against the FT-SE All-Share Index. ‡Average of all UK trading companies valued at over £10m floated in 1994

evidence is less encouraging still. Of the top 10 performers, all but two - Inspec and Alpha Airports - were placements with institutions, whereas half the worst performers were marketed to the public. The average for those flotations in the sample, where there was either an offer direct to the public or

that companies tend to come to market when their profits are strong and their sector is in fashion. But fashions change - as those investors who bought some of the flood of electronics issues early in the 1980s found to their cost.

One of the attractions of buying shares in a flotation is that, in theory, the company should have been scrutinised carefully by its advisers. But, as last week shows, the fact that names like Baring or Rothschild appear on a prospectus does not make something a risk-less investment.

When it comes to assessing these risks, it is tempting to look for patterns in the recent flogs. Certainly, it is striking that both Aerostructures and MDS were recent management buy-outs, and some observers argue that the relatively poor performance of this year's new issue crop reflects the many

David Wighton

FINANCE AND THE FAMILY

Make the most from your home

Scheherazade Daneshkhu and Bethan Hutton explain how retired people can maximise their income

As people live longer and retire earlier, they may find that, towards the end of their lives, they do not have enough money to live on. Savings become depleted and inflation eats gradually into a pension.

Some may even have to consider going into residential care and will need to plan how to meet the costs (see below). Those who no longer have any savings may find that their last precious asset is their home.

Depending on its value, it could be worth trading down. But many people underestimate the costs of moving, while others find the idea too traumatic. How, then, to bridge the income gap?

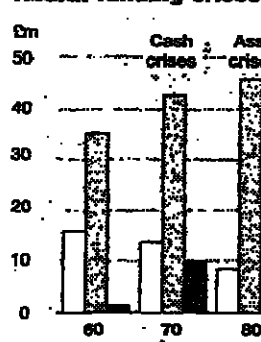
■ **Home income plans.** These have had a terrible name since the late 1980s when unscrupulous advisers encouraged many elderly owners to take a mortgage and invest in risky, equity-related investment bonds to pay off the mortgage and produce an income. Many investors were left with large debts or even lost their homes. Some are still claiming compensation (see right).

There are, however, more secure plans on the market. The Safe Home Income Plan (SHIP) campaign, launched in 1991, has a code of practice for companies selling them. Members are Allchurches Life, Carlyle Life, Home & Capital and Stewart Life.

The two main types of home income plan are:
□ **Mortgage annuity scheme.** You raise a mortgage on part of the property, usually up to a maximum of £30,000 (so that the loan attracts maximum tax relief), and invest the money in an annuity which pays a monthly income after deducting interest payable on the loan. The annuity should be on a "last survivor" basis so that it continues until the death of the second partner. Owners retain legal possession of the home, which is sold when they die to pay off the loan.

According to Cecil Hinton of financial adviser Hinton & Wild, a London-based firm which specialises in the home income plan market, it is best

Health funding crises



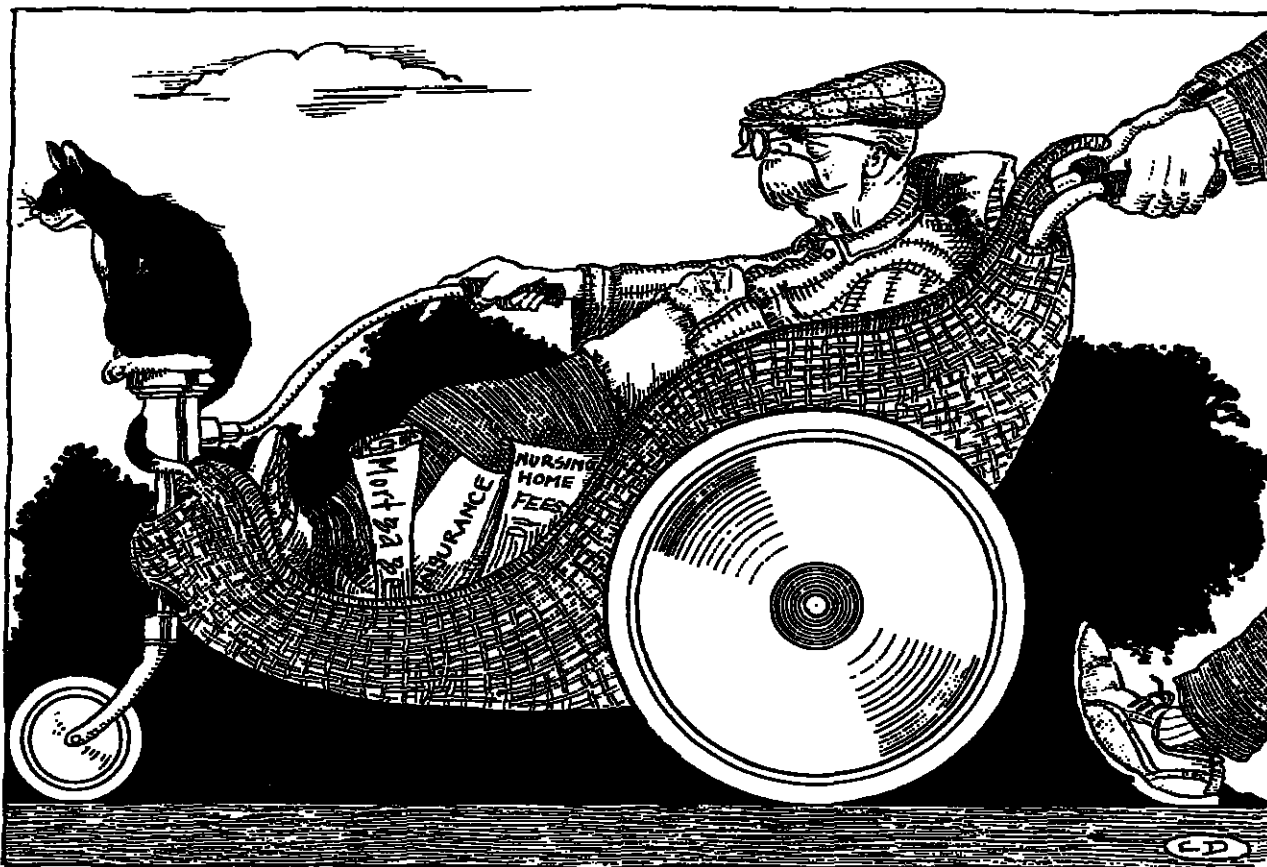
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According to Cecil Hinton of financial adviser Hinton & Wild, a London-based firm which specialises in the home income plan market, it is best



to fix both interest and income payments. The higher your age, the more income you can expect from the annuity – there is little point in thinking about such a scheme unless you are at least 70.

Hinton says a single man aged 75 who is a basic-rate taxpayer could expect about £1,870 a year, and a single woman of the same age around £1,200, on a £30,000 loan. A married couple aged 75 would receive £770. Non-taxpayers getting state benefits must take into account the effect of the additional income on their tax status and benefits.

□ **Home reversion schemes.** You sell your home to the company, giving up your right to the property, and are given either a lump sum or an annuity income. But since you could live a long time, the reversion company will not pay the full market value of the home – only a fraction.

According to Age Concern*, which has a fact sheet on raising income from your home, the cash sum can be 35 per cent or less of the home's value and will rarely be more than 60 per cent, even for those over 80. You will not benefit from any rise in the property's value once you have sold it.

A single man aged 75 (35 per cent taxpayer) could expect to receive a £24,500 lump sum or an annual annuity income of

£3,400 while retaining a half share in a house valued at £100,000. A single woman of the same age would receive about £23,400 (lump sum) or £2,600 (annuity income). The corresponding figures for a married couple would be £22,300 or £1,900, according to Hinton.

■ **Paying for care.** Most elderly people want to stay in their own homes for as long as possible. But with longer life expectancies, a growing proportion cannot avoid spending their final years in a nursing or residential home. The problem then is finding the money to pay for the care. Typical weekly nursing home costs of £300 to £400 exceed the incomes of most retired people and the state does not provide anyone with assets of more than £18,000 (including their home) has to meet the full cost of their own care.

In most cases, owners going into care have to sell their homes to cover the fees. But simply selling up, putting the money in the building society and paying nursing home fees out of the income and capital is not an efficient way to proceed – it does not take many years of fees at £20,000 per annum to consume the proceeds. Proper planning is needed.

One recent development is special schemes designed to meet the immediate need for care and to cope with rising fees. Most use part of a cash lump sum (usually from the sale of a house) to buy an annuity, and invest the rest to try to replenish capital.

Insurers offering schemes along these lines include PPP Lifetime, Commercial Union, Eagle Star, Clerical Medical and Scottish Amicable. But since these are complicated financial products, it is essential that you obtain independent financial advice before

making any sort of commitment.

A number of financial advisers around the country now specialise in providing advice on paying for care. Philip Splers, a partner with the Nursing Home Fees Agency, looks at income, assets, entitlement to benefits and all other circumstances before working out the best way to cover fees. This could involve one of the plans mentioned above or a tailor-made solution. "Every case is completely different," he says.

Other specialists include: London-based Advisory & Brokerage Services, which offers fee-based advice on both the choice of home and funding methods; Morton-Wilson, of Nuneaton, Warwickshire; and the Kleinwort Benson private bank.

Many elderly people are reluctant to sell their homes to pay for care because they want

their children to inherit – but recent legislation makes this impossible. If an elderly person does not have other assets or income to pay for care, but does own a house, the local authority can put a charge on the property and recoup the cost of care when eventually it is sold.

Transferring ownership of the property to the next generation does not prevent this. If a court decides that a person has disposed of assets to increase his entitlement to state help, he is treated as if he still owned the property.

■ **Age Concern England, Astral House, 1268 London Road, London SW16 4ER (tel: 081-679 3000); Age Concern Scotland, 54A Fountainbridge, Edinburgh EH3 9PT (031-223 5656). For a free fact-pack on paying for care, write to Nursing Home Fees Agency, Freepost, Old Bank House, 95 London Road, Eadington, Oxford OX3 9AE.**

If you were a loser...

Paul Cooper tells what to do

Sales of risky home-income plans late in the 1980s have led to a flood of compensation claims. If you were advised to borrow for speculative investment, and could not afford the risk of losing money, you should have a valid case. Here is what to do:

□ **Was the person who gave the advice authorised to do so?** If so, compensation should be available – but there is no compensation for unauthorised advisers. You could sue but, in most cases, this is not worthwhile. Negotiations with the mortgage lender might help; so might professional aid. Ask Age Concern for its list of specialist lawyers.

Some advisers practised before their application for authorisation was approved. The Investors Compensation Scheme (ICS) excludes pay-outs even if the advisers qualified later – unless you can show advice also was given after authorisation.

□ **Was the salesman authorised by Fimbra or Lauto (the regulatory bodies)?** If the answer is Lauto, you are lucky. You will get more compensation, faster, because the Lauto/insurance ombudsman bureau guidelines have a clear procedure for such cases. The insurance ombudsman normally makes distress awards of up to £5,000 (the average is around £1,500), especially where the life company has taken a year or two dealing with the complaint (although this is normal).

Since Lauto members in breach of the rules must ensure that clients are not worse off because of their investments, the ombudsman does not subtract money spent by investors when they were led to believe there were no risks attached to doing so. Investors spent the money they received believing it was interest on their home's capital. In reality, they were consuming the capital itself.

If, however, the adviser was authorised by Fimbra, you are likely to receive less since there is a compensation ceiling (of £48,000 per claim) and there is no obligation to return people to the position in which they would have been had they not invested.

□ **What should I do?** Having established whether the person giving the advice was authorised or not, make a complaint about the advice received to the insurance company or the Fimbra firm, asking for compensation.

□ **What are the pitfalls with a Lauto firm?** It might resist your claim or take a lot of time investigating it. If there are no results after two months, take your claim to the insurance ombudsman or the recently-started Fimbra ombudsman. Do not accept any offer without insisting on a review by the ombudsman.

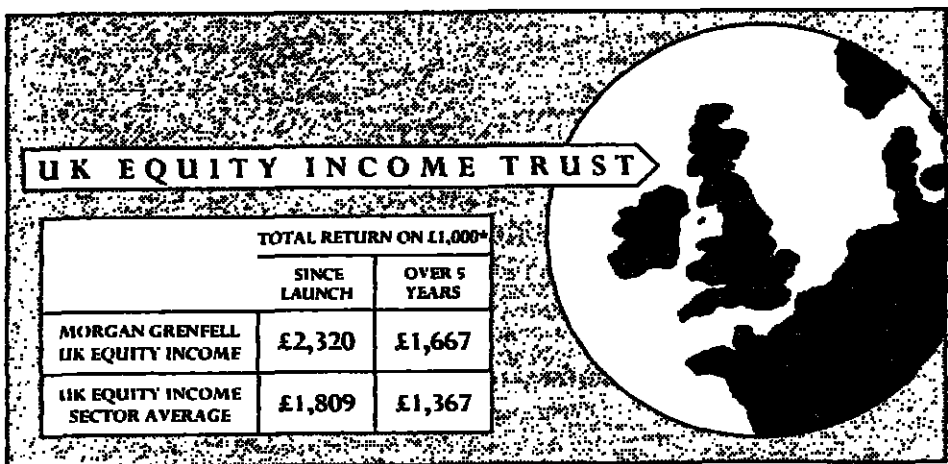
□ **What are the problems with a small Fimbra firm?** There is a danger that it might not exist, given the number of firms which Fimbra has de-recognised over the past few years. Call Fimbra (071-538 8860) to check, giving the firm's postcode. If the firm has ceased trading, ask if the ICS has declared a default. If it has, write to the ICS at 2 Bimhill Row, London EC1Y 8SR, registering your claim. Expect compensation within nine-18 months. If not, tell the ICS your problem and ask for a default declaration. Expect compensation within two years.

□ **What are the problems with a larger Fimbra firm?** If the firm is still trading and disputes liability, you can either get legal aid and sue; or, in certain cases, apply for Fimbra arbitration.

□ **What are the risks of arbitration?** It is a binding legal procedure and awards cannot usually be appealed. ■ **Paul Cooper is principal of CLAIMS, which investigates cases of bad advice.**

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Norma Cohen examines the market proposed to replace the USM

As a practical matter, Hardiman says, "only a tiny frac-

"What private investors like is clarity," Jones says. "The proposition that you need lots of regulation to encourage them is untested. We think the proposed AIM will make private investors much keener to go into this sector."

Jones adds that, if anything, new rules designed to protect investors by limiting opportunities for insider dealing serve only to frustrate this heightened level of communication.

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FINANCE AND THE FAMILY

Don't take unit trust yields at face value

Investors should be cautious over higher returns, says Barbara Ellis

Newly-launched income unit trusts have been taking advantage of a technical rule change allowing them to publish higher yields than before. Earlier this year, the Securities and Investments Board (SIB) – the chief financial services regulator – decided that fund management groups could take their annual management fee out of investors' capital instead of income, which can boost yield figures by up to 50 per cent.

Save & Prosper launched an Extra Income unit trust, with an initial yield of 6.25 per cent, earlier this month while Mercury Income Portfolio was launched last month with an initial gross yield of 5.25 per cent. Both groups have taken full advantage of the SIB change, which adds up to 1.5 percentage points to the yield figures they could otherwise have shown.

The change affects unit trusts aiming mainly for income, or emphasising income and capital growth equally. Unit trusts are being told to disclose the method of charging fees against capital, noting clearly that this could impair future capital growth. Existing unit-holders are entitled to three months' notice of a change of charging method.

Management groups are divided over whether existing unit trusts should convert to the new treatment, pointing to possible tax disadvantages for investors as well as managers. The main catch is for higher-rate taxpayers who may not want the higher yield. They will find themselves paying 40 per cent on the excess income unless they move to a different, lower-yielding fund.

Although most managers claim there is little possibility of investors being confused or misled, some are nervous about the appearance in close proximity of figures established on different bases, and stress that total return is what counts. They urge investors to probe beyond headline yield figures to find exactly how returns are being achieved.

Peter Edwards, of Premier Unit Trust Brokers in Bristol, thinks most unit trust groups



eventually will join the charge-to-capital club, whatever their present attitudes. "It's a very competitive world – they will see this as something they have probably got to do."

The danger of charging fees to capital is that it might be eroded or future growth constrained, but Edwards believes ordinary investors are not concerned with the allocation of management fees. "People don't honestly give a hoot about this. Most people just want that dividend cheque."

S&P is expecting Extra Income to pull in more than £50m in its initial offer period. S&P's literature notes that "...it is likely that some or all of the annual management fee will be charged to the fund as capital."

Julian Tregoning, director of investment products at S&P and chairman of the Association of Unit and Investment Funds, says this is merely the required form of words. In practice, the full 1.5 per cent will be charged to capital.

He says S&P might alter some of its existing income funds so that only part of the management fee is set against capital. "It will depend on the income requirements. We want to make sure we maintain income."

Management groups with income funds at the top end of the performance tables are tak-

ing a cautious approach to the rule change. Peter Reeve, managing director of Jupiter Tynall Merin, says he and the trustees have decided against any immediate alteration to the group's income fund.

This is the top performer in the UK equity income sector over five, three, two and one years to August 1 (source: HSW, offer-to-bid, net income re-invested). Reeve says: "We shall have to see how our nearest competitors in the performance tables deal with this. We are not rushing into anything."

At GT Unit Managers, also a consistent high performer, managing director Martin Harrison says the new charging method will not be adopted for the existing income fund. But the group might well launch a new unit trust using it, given the very strong demand for income.

Perpetual does not plan any immediate changes. Marketing director Roger Cornick explains: "We are not rushing to tell investors we can possibly squeeze a drop or two of extra income. I think groups with the greatest need for improved yield figures will probably make use of the relaxed rules most quickly."

M&G also is making no changes. Communications manager Rachel Medill points out: "By taking charges from capital, you get a high yield – but you are no better off in

total return terms." She was vague, however, on whether this would be long-term policy for M&G, saying the pressures of competitive life made a definite forecast difficult.

Schroder is to write to the 14,500 holders of its £123m Income fund in November telling them that the fund will begin taking its 1 per cent annual charge out of capital next February. This will lift the yield by 25 per cent, from 3.6 to 4.6 per cent. Unit-holders who object will be offered a free switch into another of the group's funds.

According to Bridget Clevery, assistant director of marketing, the group thinks the change will be tax-neutral. "It will make our income fund much more attractive for people looking for income not total return," she says. Schroder also is considering a similar move involving its gilt and fixed interest trust and global bond fund.

Both Fidelity and Gartmore have decided against altering any of their existing funds at present. But at Profic, which has yet to decide, marketing director Mike Webb says there is a very sound investment reason for charging fees to capital.

It is, he explains, easier for the fund manager to achieve a yield by investing in companies lower down the yield curve than is possible when fees come out of income. This means the fund manager is able to buy shares with better prospects for long-term capital growth.

NEW INVESTMENT TRUST LAUNCHES

--- Targets ---															
Manager (Telephone)	Banker	Sector	Warrants	Size £m	Yield %	PEP Quat?	Savings Scheme	Issue Price	Minimum Inv P	Outside Minist. £	PEP Annual Change %	Inside Minist. £	PEP Annual Change %	Offer Period	
■ Fidelity Special Values															
Fidelity (0800 414161)	SG Warburg	UK Growth		1.5	30+	n/a	Yes	Yes	100p	95.5p	£1,000	0.95	n/a	n/a	19/10/94-8/11/94
New twin for Fidelity's Special Situations unit trust, run by Anthony Bolton															
■ Infrastructure Trust															
BZW/Société Générale Strauss Tumbull (0500 202021)		Emerging Mkts		1.5	40+	n/a	No	No	100p	96p	-	1.25%	n/a	n/a	25/10/94-4/11/94
Innovative trust planning to invest in "information infrastructure" in emerging markets															
■ Lazard Brewers															
Lazard Investors (071 614 3065)	Grig Middleton	UK General		1.5	50m	3%	Yes	n/a	100p	96p	£1,000	1%	n/a	n/a	end Sept for 3 wks
Specialising in regional brewers, pub companies and others involved in the production or sale of drinks															
■ Profitic Income															
Profitic (0800 568655)	James Capel	UK Inc Growth		1.5	40+	4%+	Yes	Yes	100p	95.1p	2,000	0.8%	2,000	1.6%	22/9/94-13/10/94
Similar investment strategy to existing Profitic High Income unit trust, ranked 30th of 94 funds over five years															

NEW UNIT TRUST LAUNCHES

Manager (Telephone)	Sector	Target Yield %	Full PEP Quat	Savings Schemes Avail.	Charges outside PEP Annual %	Charges inside PEP Other %	Minimum Invest. £	Initial Charge %	Annual Charge %	Other %	Minimum Invest. £	Discount %	Special offer Period
■ Extra Income Fund													
Save & Prosper (0800 282101)	UK Equity Income	6.25	Yes	Yes	2	1.5	No	1,000	2	1.5	No	1,000	* 10/9/94-30/9/94
The annual charge is taken out of capital to boost income. About 55 per cent will be invested in bluechips, the rest in fixed-interest stocks.													
* 1 percentage point discount on investments of £5,000-£9,999; no initial charge on £10,000 and above													
■ Managed Growth Fund													
M&G (071 626 4588)	Fund of Funds	1	Yes	Yes	5	1.5	No	£500	0	1.5	Yes**	£1,000	- 8/10/94-28/10/94
M&G's second fund of funds, this one concentrates on long-term growth. It is also the second M&G no-initial-charge PEP													
** Withdrawal charges on a sliding scale from 4.5 per cent in the first year down to 0 after the end of year fifth													

* 1 percentage point discount on investments of £25,000-£49,999; no initial charge on £50,000 and above

** Withdrawal charges on a sliding scale from 4.5 per cent in the first year down to 0 after the end of the fifth year

Withdrawal symptoms

M&G is about to launch a personal equity plan with no exit charge after the fifth year. The annual charge is taken out of capital to boost income. About 55 per cent will be invested in bluechips, the rest in fixed-interest stocks.

These are intended to encourage long-term investment. You would pay 4.5 per cent for redeeming in the first year with a tapered structure

of 4, 3, 2 and 1 per cent over the next four. There would be no exit charge after the fifth year. The PEP is based on a new fund, Managed Growth, which will invest in other M&G funds aiming for capital growth.

Fidelity is aiming to go one better. From Monday, it will drop the initial charge on its Moneybuilder PEP, which does not have a withdrawal charge. Moneybuilder is also a fund of funds and is in the top five in the sector in the five, three and

two years to August 1 (source: HSW; offer to bid, net income re-invested), although performance has slipped since then. Investors will have to pay an annual management fee of up to 1.75 per cent, since Fidelity is charging 0.5 per cent in addition to the annual fees of the underlying funds.

Fidelity pioneered withdrawal fees in June 1993 but, along with Gartmore, dispensed with them earlier this year. But the Securities and

Investments Board, the chief financial regulator, announced this week that unit trusts will be able to impose exit charges from November 1 (previously the trust had to be within a PEP to be able to do so), a move which the industry welcomes as giving it more flexibility.

Unit trusts will not be able to charge more, though: a combination of initial and exit fees must not exceed more than the present maximum of 7 per cent initial charge.

Spelling out the risks

Following publication in April of disclosure proposals for life assurance products, the Personal Investment Authority – the new regulator to protect the private investor – this week published proposals for unit trust disclosure.

As with life assurance disclosure, the basic format is a simple, four-page leaflet. This sets out the aims of the fund, the commitment asked from the investor, the risk factors involved and, most importantly, the effect of the charges on the value of the investment.

For unit trusts, providing clear details of a product's aims always have been an essential part of disclosure although, compared with any long-term, front-end loaded insurance product, the amount of commitment involved in a unit trust investment is minimal. Risk factors and the effect of charges are more difficult.

On risk, the PIA goes well beyond the hallowed formula about fluctuating values – "the price of units and the income from them can go down as well as up" – to include all the factors which might have an adverse effect on performance or are otherwise relevant to a decision to invest.

The most controversial proposals will undoubtedly be those on the effect of charges.

PIA formula for showing charges (on £1,000)

End of year	No charges	7.5% growth
1	64	68
3	90	112
5	116	167
10	178	367

These have been rising steadily since they stopped being regulated in 1979. Before then, the initial charge and the annual charge added together could not exceed 13.25 percentage points over 20 years (say, 3.25 per cent initially and 0.5 per cent a year).

Today, the typical unit trust charges 6 per cent initially and 1.5 per cent a year. This adds up to 36 percentage points over 20 years – nearly three times what used to be permitted.

The unit trust movement is, rightly, proud of the fact that charges always have been stated clearly. The problem has been that the effect of those charges is never set out. And while the numbers seem very small, they have a big impact.

After all, a 1.5 per cent charge will reduce the returns from a growth rate of 7.5 per cent by 20 per cent, and from a 5 per cent growth rate by 30 per cent. The PIA proposals shy away from explaining this.

The clearest way of showing the effect of charges is to give the value of an investment at a fixed growth rate, assuming no charges, and to compare it with the value after making allowance for charges. This could be done in a simple two-column table using a standard £1,000 investment, periods of 0, 1, 5, 10 and 25 years, and a sensible growth rate of perhaps 5 per cent.

The proposals reject the idea of showing these two growing values side by side. Instead, they set out a table of charges (see column two) extracted from a £1,000 investment over 1, 3, 5 and 10 years assuming no growth, and a similar table showing growth at the optimistic rate of 7.5 per cent (or 9 per cent for personal equity plans).

Dangling the effect of charges in this way begs the question: effect on what? And the useful addition of showing the effect of any spread with returns at 0 years is rejected on the ground that very few people ever sell their investment on the day they buy it.

True. But few people sell their new car as they drive out of the showroom – yet no one thinks it odd to show its immediate depreciation in that way.

Tim Miller
Tim Miller is chairman of Portfolio Fund Management

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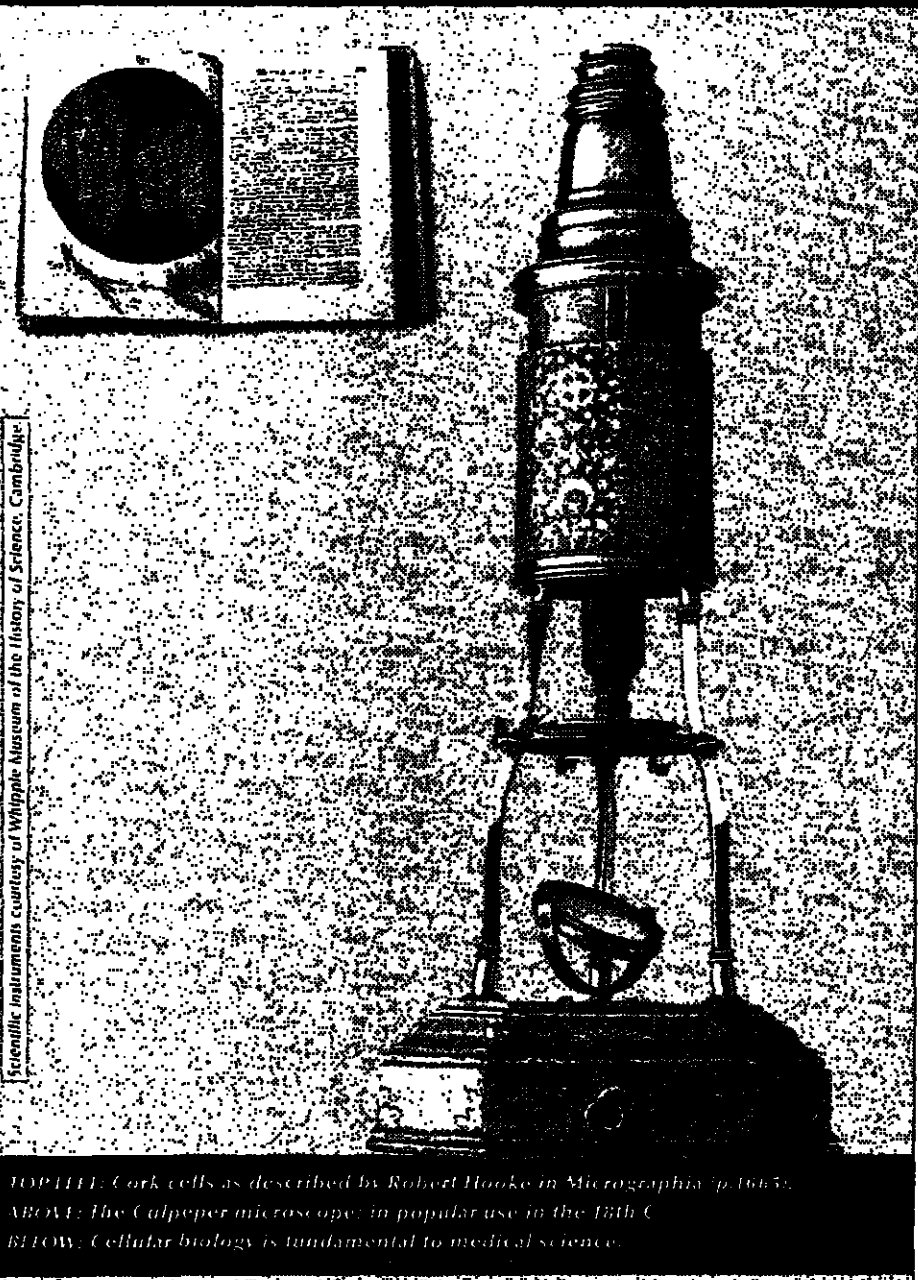
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FINANCE AND THE FAMILY

Charges to watch

Personal pensions and you: Debbie Harrison reports

When you take out a personal pension, it is tempting to assume that if the provider is a household name and its performance record is up to scratch, you are on to a winner. But this is simply not true.

Performance, arguably, is the most important criterion but the provider's charges come a close second. Where charges are high, the performance must consistently be outstanding to compensate.

Yet, the latest survey from *Money Management* magazine reveals just how many second-rate products are available. Hearst of Oak, friendly society deducts just under 40 per cent of your premiums in charges while its performance is unexceptional, to say the least. By comparison, one of the lowest chargers, Abbey Life, deducts about 14 per cent.

Other high chargers identified in the survey include Royal London, EuroLife, British Life Office, Lifetime, Refuge, Acuma, Colonial Mutual, Hambro Guardian, Crown Life, Gartmore, Providence Capital and Windsor Life.

Analysis of charges is particularly important when, as at present, there is a marked lack of consistency in performance league tables. In the survey, several household names failed to match up to expectations.

Standard Life's with-profits plan is one of the worst performers over 10 years as is NPI's, which only just avoided the bottom five category. National Mutual's overall performance, one of the best in *Money Management*'s March 1994 survey, took a nose-dive in the latest tables.

Lowest and highest charges

Lowest five	£
Abbey Life	34,830
Equitable Life	34,781
Rothschild AM	34,444
NFU Mutual	34,299
Guardian Ass	34,285
Highest five	£
Hearst of Oak	28,772
Refuge	28,490
Lifetime	28,565
EuroLife	28,837
Royal London	30,487

The table shows what your fund would be worth after charges if you invest £200 a month for 10 years in a with-profits plan, assuming a growth rate of 8 per cent. Source: *Money Management*

Top and bottom performers

Top five	£
Sun Life	57,297
Royal London	56,131
Co-Operative	54,739
Scottish Mutual	54,210
Scottish Eq	53,714

Bottom five	£
Guardian Ass	39,014
London Life	40,797
Standard Life	41,214
Royal Life	41,286
Prudential	42,278

The table shows the amount paid out after charges if you invest £200 a month for 10 years in a with-profits plan. Source: *Money Management*

But while high charges can undermine a good performance elsewhere, charges alone do not guarantee good value. Several of the lowest charging offices also achieved notably poor returns. Guardian Assurance and NPI fall into this category.

Personal pensions have attracted a lot of criticism since their launch in July 1988. Nevertheless, more than 6m

have been sold to the self-employed and to employees who are not in a company scheme.

Although there is nothing wrong with the concept of personal pensions, the high commissions and charges associated with them mean they have been mis-sold widely to employees who would have been better off in the state earnings-related scheme (Serps) or their company plan.

Despite the adverse publicity, however, there are still more than 100 financial institutions selling these products. Surveys such as *Money Management*'s indicate that over half are not competitive.

Clearly, it is vital to shop around to get the best value for money (see below). Until January 1995 this will not be easy because, at present, providers do not have to tell you what their real charges are. Unless your adviser consults the latest surveys and has a comprehensive database on charges and performance, the advice will be worthless.

It will continue to be worthless if, when the new rules come into force and providers must tell you their true charges, these are not compared with those of competitors.

Yet, according to the Association of British Insurers, the vast majority of regular premium personal pension plans continue to be sold by direct salesmen or companies that agree to sell only one provider's products and do not have to tell you that you can do better elsewhere.

Money Management, FT Business Magazines, Greystoke Place, Fetter Lane, London EC4A 1ND (tel: 071-405 6969).

Halifax decided on its new standard mortgage rate this week, emboldening a host of other building societies to do the same. It has passed on almost the full half percentage point rise in base rates by increasing its standard variable rate to 8.1 per cent from 7.64. This applies already to new borrowers and for existing borrowers from October 1.

Other building societies which have raised their standard variable rates to 8.1 per cent include Alliance & Leicester, Bradford & Bingley, Cheltenham & Gloucester and Chelsea. Barclays is one of the few banks to have announced its new rate, also of 8.1 per cent, with effect from October 1 for new and existing borrowers.

Another batch of lenders are clustered around 8.14 per cent. These include Bristol & West, Britannia, Leeds, Nationwide and Northern Rock. Abbey National and National & Provincial are on 8.09 per cent, while TSB and Bank of Ireland are at the lower end of the market with 8.05.

The TSB rate represents a rise of 0.6 of a percentage point - higher than the base rate increase - and comes into effect for new and existing borrowers from October 20.

National Savings has launched new issues of its fixed-rate products a week after the government put up base rates by half a percentage point, writes Scheherazade Daneshkhu. Variable-rate products are unaffected.

Savings certificates: The new 42nd issue pays a tax-free 5.85 per cent a year compound when held for five years. The return is equivalent to an attractive 9.75 per cent gross for a 40 per cent taxpayer (7.8 per cent gross for a lower-rate taxpayer).

Index-linked certificates: The 8th issue pays the same as

Lenders rush to follow Halifax

Scheherazade Daneshkhu on mortgage rates

rowers from October 20. Woolwich is the largest society yet to announce its new rate and most of the banks also are undecided.

Discounted rates: You can avoid the higher rates by taking advantage of discounted rates still available from a large number of lenders including Abbey National, Alliance & Leicester, Bristol & West, Cheltenham & Gloucester, National & Provincial and Woolwich. These offer a percentage reduction on the variable rate over various periods and can represent substantial savings for new borrowers.

Cheltenham & Gloucester offers a three percentage point discount for 12 months on a £50,000 interest-only loan, or one of 2 per cent to those borrowing up to 95 per cent of the value of their home.



The three percentage point discount amounts to a saving at present of £110 a month on a £50,000 interest-only loan, or one of £235 a month on £100,000. These amounts respectively to £1,320 and £2,820 over the year.

Lenders, however, are using discounted rates to increase their market share rather than provide a better service to their customers. This is because they are available only to new borrowers (although some lenders, such as Halifax, do not make them available for re-mortgages at all).

This means that existing borrowers are being left out. "It has caused us the occasional slight headache, since some of our borrowers are raising their eyebrows over this," says Abbey National. "But we do not think it would be right to let our borrowers switch to lower rates just because it happens to be better."

What can existing borrowers do? Many lenders are offering to cover some of the re-mortgage costs of those tempted to switch lenders. Abbey National

itself is offering to pay up to £250 towards the valuation and £250 towards legal fees.

It is almost certain to be worth taking advantage of such offers in order to get the reduced variable rate, although it is important to calculate all the costs and balance these against the savings to see if it is worth switching.

But one FT reader, reluctant to leave his present lender, claims he could move to another offering a discounted rate and then switch back to his original lender as a "new" borrower, entitling him to get its discounted rate while incurring minimal costs.

Before going through this ruse, though, it is worth talking to your lender - particularly if you are a high-value customer - to see if you can get the discounted rate. Cheltenham & Gloucester says the only way existing customers could secure the discounted rate is by re-mortgaging with the society.

Abbey National is reluctant to endorse a similarly absurd, but at least flexible, position. It hopes that its customers will realise there is more to a mortgage than its interest rate, and that having a long relationship with a lender can reap benefits - such as further loans.

a year when held for five years on £25 up to a maximum of £1,000. The bond is a useful way for parents to give to their children as it is tax-free.

First Option bond: Aimed at taxpayers, returns on this bond, which are fixed for one year, are paid net of basic-rate tax. The new issue pays 6.4 per cent net, on £1,000-£19,999. The rate goes up to 6.8 per cent gross (5.1 per cent net) on £20,000 up to a maximum of £250,000. The rates are competitive but not overly so. Look first at building society fixed-rate products.

National Savings quick to launch new issues

the one it has just replaced - a return of 3 per cent a year compound in addition to inflation when held for five years. The new issue has been released because purchases above the minimum no longer have to be made in multiples of £25 - they can now be in any amount.

The same applies to the savings certificates. How attractive you find index-linked certificates depends on your view of inflation over the next five years.

Yearly plan: The tax-free five-year return is increased to

5.85 per cent a year compound. The plan is designed to help those who want to buy a savings certificate through regular instalments. Monthly payments of between £20 and £400 are made by standing order for 12 months to buy a four-year Yearly Plan certificate.

Capital bond: This taxable fixed-rate product is aimed at non-taxpayers, since the return is paid gross. The new series I pays 7.75 per cent a year compound if held for five years. But given that the returns are taxable and the money is tied

up for five years, many people may find even the new rate relatively unattractive.

Pensioners' guaranteed income bond: The new issue pays 7.5 per cent a year gross fixed for five years and paid monthly on a minimum of £500 to those aged 65 and over. Interest is taxable but is paid gross. There are few products paying monthly income on such a small deposit but look first at fixed-rate building society rivals.

Children's bonus bond: Issue G now pays 7.85 per cent

for five years, many people may find even the new rate relatively unattractive.

Children's bonus bond: Issue G now pays 7.85 per cent

Points to consider before you decide

Before taking out a personal pension you should take advice, preferably from a fee-based independent adviser who will not be influenced by the amount of commission he can earn, writes Debbie Harrison. And you should consider these points:

■ Will the provider remain strong financially over the long term - or does the organisation look a potential target

for a takeover bid or a merger? ■ Is the performance consistently good over the long term? ■ Is the investment team that achieved this performance still in place?

■ How much of my premiums will disappear in charges?

■ Does the adviser have a good software system to check providers' real charges?

■ Are the contract conditions flexible? Can I increase,

decrease or stop payments without penalty? Can I retire early/late without penalty?

■ Will the adviser ensure that all commission payments are stripped out of the plan if I pay on a fee basis? (If you pay on a commission basis, then opt for a series of one-off or "single" premiums to avoid the high up-front charges associated with long-term, regular-premium plans).

■ Are the contract conditions flexible? Can I increase,

decrease or stop payments without penalty? Can I retire early/late without penalty?

■ Will the adviser ensure that all commission payments are stripped out of the plan if I pay on a fee basis? (If you pay on a commission basis, then opt for a series of one-off or "single" premiums to avoid the high up-front charges associated with long-term, regular-premium plans).

Annuities Rates reach year's best level

Annuity rates are at their highest since the start of the year, having risen by an average of 16.5 per cent. This week, some life companies increased their rates against a background of rises in long-term gilt yields. These were 8.9 per cent on

Annuities

Rates reach year's best level

September 12 - the day the Chancellor, Kenneth Clarke, announced a half percentage point increase in base rates - and had risen to 9.25 per cent by September 20.

As the table shows, Royal Life is looking very competitive, having raised all its annuity rates on September 20. Sun Life of Canada and Canada Life have also increased theirs.

Since the start of September, annuity levels at Canada Life have increased by around 2 per cent, at Royal Life by around 4.5 per cent, and at Sun Life by around 2.4 per

cent. These rates cover a male aged 60 on a particular set of benefits.

The uncertainty of how long-term interest rates will perform and this week's fall in bonds are, however, beginning to affect the annuity market.

And while annuity rates are quite high at the moment, most actuaries are expecting them to fall slightly as the year draws to a close.

Thus, it is imperative for you to shop around for the annuity best suited to your needs.

Peter Quinlan, The Annuity Bureau

LATEST ANNUITY RATES

Compulsory purchase level annuity			
Male age 65	Female age 65	Male age 50	Female age 50
Royal Life	£10,358.55	Royal Life	£9,445.24
Sun Life of Canada	£10,210.73	Prudential	£9,161.64
Prudential	£10,123.56	Sun Life of Canada	£9,155.56
Male age 60	Female age 60	Male age 50	Female age 50
Royal Life	£11,211.56	Royal Life	£10,417.17
Sun Life of Canada	£11,079.25	Sun Life of Canada	£10,100.94
Prudential	£10,929.48	Prudential	£10,058.78
Male age 70	Female age 70	Male age 70	Female age 70
RNPFN	£14,492.76	Royal Life	£12,683.00
Royal Life	£14,398.44	RNPFN	£12,512.52
Canada Life	£14,180.04	Canada Life	£12,295.44
Joint Life - 100% spouse's benefit			
Male 60/Female 57	Male 65/Female 63	Male 50/Female 50	Male 50/Female 50
Royal Life	£9,528.18	Royal Life	£10,119.83
Sun Life of Canada	£9,253.01	Sun Life of Canada	£9,815.37
Prudential	£9,234.12	Prudential	£9,777.72

All payments are monthly in advance. Rates are as at September 20 1994. Figures assume a purchase price of £100,000 and are shown gross. RNPFN annuities are available only to those in the retail and allied professions. Figures supplied by the Annuity Bureau Limited, Enterprise House, 5082 Upper Ground, London, SE1 9PD. Tel: 071 855 4080

HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs					
Portman BS	Instant Access	0202 282444	Instant	£500	5.00% Yr
Manchester BS	Money-by-Mail	081 834 9485	Postal	£1,000	5.80% Yr
Stilton BS	Instant	0755 700511	Instant	£2,000	6.10% Yr
Manchester BS	Money-by-Mail	081 834 9485	Postal	£25,000	6.40% Yr
NOTICE A/cs and BONDS					
Bradford & Bingley	Direct Notice	0345 248248	30 Day (P)	£1,000	6.00% Yr
Northern Rock BS	Post 60	0800 550000	60 Day (P)	£10,000	6.50% Yr
Universal BS	1 Yr. High Option	081 232 0373	90 Day	£10,000	6.80% Yr
Cheshire BS	Millennium Bond	0800 243278	31.12.99	£5,000	6.00%F Yr
MONTHLY INTEREST					
Birmingham BS	Capital Trust	0258 391741	Post 30 Day	£2,000	5.50% Yr
Bradford & Bingley BS	Direct Notice	0345 248248	30 Day (P)	£10,000	6.50% Yr
Universal BS	1 Yr. High Option	081 232 0373	90 Day	£1,000	5.95% Yr
Halifax BS	Guaranteed Reserve	0422 383333	3 Year	£10,000	6.40%F Yr
TESSAs (Tax Free)					
Market Harborough BS	0858 483244	5 Year	£3,000	7.80% Yr	Yr
Hindley & Rugby BS	0455 251234	5 Year	£3,000	7.35% Yr	Yr
Holmesdale BS	0737 245716	5 Year	£1	7.15% Yr	Yr
Nottingham BS	0602 481444	5 Year	£1	7.10% Yr	Yr
HIGH INTEREST CHEQUE A/cs (Gross)					
Woolwich BS	Current	0800 400800	Instant	£500	5.50% Yr
Halifax BS	Asset Reserve	0422 333333	Instant	£5,000	4.50% Yr
Chelsea BS	Classic Postal	0800 717515	Instant	£2,000	5.75% Yr
OFFSHORE ACCOUNTS (Gross)					
Woolwich Guernsey Ltd	International	0481 715735	Instant	£500	5.75% Yr
Portman Channel Islands	Gold Plus	0481 822747	90 Day	£20,000	6.85% Yr
Solihull Guernsey Ltd	Offshore Key	041 222 1013	180 Day	£50,000	7.00% Yr
Halifax BS	Fixed Rate	0534 55640	5 Year	£10,000	6.80% Yr
GUARANTEED INCOME BONDS (Net)					
Liberty Life	General Portfolio	081 440 8210	1 Year	£25,000	6.60%F Yr
General Portfolio	Premium Life	0444 458721	3 Year	£1,000	6.30%F Yr
General Portfolio	General Portfolio	0278 462839	4 Year	£10,000	7.30%F Yr
General Portfolio	Pensioners QIB 2	0278 462839	5 Year	£50,000	7.70%F Yr
NATIONAL SAVINGS A/cs & BONDS (Gross)					
Investment A/C	Income Bonds	1 Month	£20	5.25%G Yr	Yr
Capital Bonds 1	First Option Bond	3 Month	£2,000	6.50%F Yr	Yr
Pensioners QIB 2		5 Year	£100	7.75%F Yr	Yr
		12 Month	£1,000	6.40%F Yr	Yr
		5 Year	£500	7.50%F Yr	Yr
NAT SAVINGS CERTIFICATES (Tax Free)					
41st Issue		5 Year	£100	6.85%F Yr	Yr
7th Index Linked		5 Year	£100	3.00%F Yr	Yr
Childrens Bond G		5 Year	£25	7.85%F Yr	Yr

This table covers major banks and Building Societies only. All rates (except those under heading Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. P = By Post only. A = Feeder account also required. B = 7 day loss of interest on all withdrawals. G = 5.75 per cent on £500 and above; 6 per cent on £25,000 and above. H = 6.75 per cent on £25,000 and above. I = 6.80 per cent on £20,000 and above. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Lane, North Walsham, Norfolk, NR28 0BD. Readers can obtain an introductory copy by phoning 0992 500665. Figures compiled on: 22 September 1994

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PERSPECTIVES

Minding Your Own Business Trains on the school timetable

Paul Cheeseright visits a station and travel agency run as a going concern by Shropshire schoolgirls

Moreton Hall Travel defies the canons of business orthodoxy. No business plan, just an idea or two about expansion. No stable management, just executives passing through. But, as its first financial year comes to an end, it shows a profit.

At one level, Moreton Hall Travel is an educational plaything. At another, it is a serious concern: serious enough to have handled £262,000 during the year to July.

It is in fact a business run by students of Moreton Hall, a £10,000-a-year girls' school near Oswestry, Shropshire. The students, under the eye of David Lloyd, a geography teacher, operate primarily as agents for British Rail but are starting to diversify the business into other forms of travel.

"Everything has been going slowly, one step at a time, so that if we got into financial difficulties, we could ease out of it," said Lloyd.

The first step was taken eight years ago. The school booked rail tickets for the pupils, the youngsters paid and British Rail sent the tickets back, plus 9 per cent commission. The funds accumulated to the extent that the school had enough money to construct a little travel agency in the geography room.

That provided an opportunity for work experience in an undemanding environment. But a year ago, the school made a leap into the wider commercial world. It kept the geography room travel desk working, but took over the booking office at nearby Gobowen station.

Gobowen, on the Shrewsbury-Chester line, is the railhead for Oswestry. The buildings at the station are owned and have been refurbished by English Partnerships, the government regeneration agency. The school provided £1,000 to help equip the booking office.

"We lease the booking office. We have no jurisdiction over the platforms, but the Women's Institute provides the flower bus. We haven't taken over the station as such," Lloyd explained.

With the booking office Moreton Hall Travel found itself with responsibilities. It needs, for a start, to find £3,500 to rent the building. It pays £170 a week to the booking office managers, Ceinwen, Lloyd's daughter who is spending a year at Gobowen before going to university. There are the water, electricity, telephone and rates bills.

The responsibilities shift from year to year. Girls from

the upper sixth direct. Most of the work is done by the lower sixth, which trains the upper fifth. The inner circle of current directors is Sabrina Hartshorn, Deborah Pratley, Emma Sharp and Emma Sherrard.

"We're being shadowed by Mr Lloyd but we have a large say in what goes on. We can take the initiative. The decisions are taken as a team," said Hartshorn.

This team is of an expansionist frame of mind. "The first thing is to get into a larger building so we can get more people working here," Sharp said. "With more room we could attract larger support," added Hartshorn.

The immediate snag is the railway timetable. "At the moment with British Rail in such disarray, you're not sure where you stand," said Pratley. "Future revenue depends on the timetable. It's not too good so it loses us customers," said Sharp.

The railway agency business accounts for 50 per cent of Moreton Hall Travel's revenue. The only British Rail services which Moreton Hall Travel cannot sell are season tickets and warrants for the armed forces. But the railway traffic provides a public which may buy other travel needs and forms one part of a firm customer base.

Another part of that base is the mass of the pupils' parents and parents' friends. With such a base, hopes of diversification, nursed by the directors, look encouraging.

An obvious step is expansion into forms of travel other than the railways. Moreton Hall Travel takes air bookings but places them through Brian Bass, the Shrewsbury travel agent. The difficulty is that the commission is just 2 per cent.

There are plans to use Gobowen station as a tourist information point for Oswestry Borough Council, which would generate income from the provision of the service, and to establish an extension of Oswestry's railway and bicycle museum. This is where the need for extra space comes in.

Leasing a second building at Gobowen, which Lloyd thinks would add 50 per cent to the rent bill, would provide the scope for the additional enterprise and provide a place where pupils could study for vocational qualifications in leisure and tourism, while gaining their work experience on the spot. "We need to start creating some employment ourselves," said Sherrard.

All of this is going to make Moreton Hall Travel a more complicated enterprise. The business, which has no capital



Directors from the Upper Sixth: Deborah Pratley, Sabrina Hartshorn and Emma Sherrard of Moreton Hall School at Gobowen Station

Tony Anderson

Germany out of step

Continued from Page 1

Germany's economic problems reflect insufficient innovation and dynamism, he says. "Not enough is coming out of our research centres. For an average young German business studies graduate, the idea of rolling up his sleeves, starting a business with his wife and possibly working himself to death is much too abstruse even to be considered."

Ludolf von Wartenberg, general manager of the Federation of German Industry (BDI), is less pessimistic - but admits that German industry's drive to become more competitive is taking its toll on employment. "In two or three years' time, German industry will have recovered brilliantly. The share of manufacturing will be lower, but we will be fully competitive. We will preserve the heart of our economic system. But the concept of 'Made in Germany' will be replaced by 'Designed in Germany'."

Back in 1990, Europe's leading statesmen were so anxious about renaissance Germany's economic strength that they agreed in Maastricht that European economic and monetary union should begin as early as 1997 or 1999. As France's former president, Valéry Giscard d'Estaing put it earlier this year: "We need an organised Europe to escape German domination."

In spite of the domestic unpopularity of the plan, Kohl agreed to monetary union. He wanted to show that united Germany would remain a firm supporter of western European integration. Now, however, scepticism about a common currency in the business community and among ordinary Germans, makes that timetable highly questionable.

Karl Lamers, a Christian Democrat Bundestag deputy and foreign policy specialist, is one of those who suggested a controversial plan earlier this month that a common currency should apply at first to a "core group" excluding Italy. Even an enthusiast for monetary union like Lamers says that prospects for a single currency will recede unless

Europe's leaders make progress towards the idea of political union and a "federal" Europe when they meet to review the Maastricht treaty in 1996. However, polls show that a large majority of Germans agree with Euro-sceptics in Britain and elsewhere that they do not want a "United States of Europe".

Holger Schmieding, an economist from Kiel university, now senior strategist at Merrill Lynch's Frankfurt office, believes the original rationale for monetary union is now outdated. There is no longer a need, he says to "bind" Germany to western Europe to stop it turning eastwards. "The idea of Europe being divided into east and west is outdated. Poland and the Czech Republic will soon become normal countries."

Germany might, indeed, suggest that monetary union should be postponed to allow as many countries as possible - including those from central and eastern Europe - eventually to join a single currency area. Under such an outcome, in view of Germany's large and growing economic influence over the former communist countries, the single European currency would become little more than an enlarged D-Mark.

Would the outcome of "D-Mark über alles" confirm the worst nightmares of Thatcher and Giscard d'Estaing? Or could a strong and stable D-Mark, extended to other countries under the guiding hand of the German Bundesbank, prove the most solid basis for expanding Europe's prosperity? German financial and economic power will unquestionably grow rapidly during the next two decades. Germany's task, in concert with its neighbours, will be to ensure that, for the first time in history, the power of united Germany is deployed benignly rather than for ill - and that the nightmares never return.

David Marsh's book *Germany and Europe: The Crisis of Unity* is published by William Heinemann on September 26. It appears in German as *Der zaudernde Riese: Deutschland in Europa* (C. Bertelsmann).

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Wife's gift of money

My wife and I have been resident in the UK for close to six years and have been deemed ordinary residents for tax purposes. But, as nationals of two different European countries, we believe we are still considered as domiciled in our countries of origin.

My father-in-law, also a foreign national, intends to give her some money. Is she likely to have to pay any tax on it (the gift is foreign currency, to be converted into sterling)?

Does it make any difference, in tax terms, if she transfers the whole amount straight to her UK bank account, or deposits it in a foreign account (in the currency of her choice, including sterling) and then transfers money to the UK?

If your father-in-law makes the gift in sterling, the answer to your first question is no. The answer to the second question is no, except that the interest on the deposit account would be assessable on the remittance basis if the account were outside the UK.

If the gift is made in foreign currency, there could be a capital gains tax liability if there is any favourable movement in the exchange rate between the day of the gift and the conversion into sterling.

If the foreign currency were deposited in a bank outside the UK, the exchange-rate gains would be assessable on the remittance basis, but any exchange-rate losses would be disallowed. The gains would be eligible for indexation relief,

Q&A

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regardless of where the currency was deposited.

As you are both domiciled overseas, you ought to have been making tax returns on the special form (11R) designed for people with overseas domicile. If you have not, remind your tax office to send you this form in future.

No allowance for inflation

Is any allowance made for inflation in the differential between the immediate interest rate and the redemption note in government stock? I ask because I have a quantity of Treasury stock 13.5 per cent 2004-08. I bought it to yield an immediate 10.5 per cent and a redemption yield of 8.7 per cent.

If I hold it until maturity, I am being paid 10.5 per cent in 1994 money. If no allowance is made for inflation, then my capital loss in 2008 will bring my overall yield to 8.7 per cent

and will be in 2008 money which, even at today's low inflation rates, will be worth some 35 to 40 per cent less.

■ No allowance is made for inflation in the differential between the immediate interest rate and the redemption rate in government stock. But, as you will know, dealings in government stock are free of capital gains tax.

(Answer by Murray Johnstone, Personal Asset Management)

A transfer too late

I bought 2,000 shares in an investment trust and received 400 free warrants. I had intended to place 1,500 shares in my general Pep within the prescribed 42 days, and I understood that 300 warrants could also be put in. But my broker told me this was not possible because trading in the warrants had begun already.

■ If shares resulting from an investment trust launch are offered as a "unit" with warrants attached, then both the shares and the warrants may be transferred into a general Pep until the day before the warrants are traded separately.

On or after that day, and up to and including the 42nd day since the date of allotment of the unit, only the shares may be transferred. Warrants may not be bought directly from the "market" for a general or single company Pep. (Murray Johnstone)

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TRAVEL: ON SAFARI

of life, from Yellowstone and Yosemite national parks in the US, to the Arctic, Italy and all of Africa

Continued from previous page

wildlife, has removed introduced mammals from the island of Tiriti-Matangi in Hauaki Golf maritime park.

Visitors can see projects for reforestation and for the reintroduction of native birds such as kiwis and takahes, as well as a number of other endangered species. Similar proposals are in hand for other islands in this Park.

There are no bears in Antarctica, either, but if you want to see wild-

life at close quarters in a wilderness of beauty on an unimaginable scale, then the Antarctic is hard to beat. A cruise ship like the *World Discoverer* will drop you among bustling penguins in noisy, chaotic colonies hundreds of thousands strong.

You can drift in dinghies past lounging crab-eater seals, menacing leopard seals and ill-tempered elephant seals, and watch whales under your very nose.

A notable bird of the Southern Ocean is the wandering albatross, one of the world's largest birds,

with a wing-span of almost 12ft. Among the smallest are hummingbirds. Many are found in the Caribbean and 13 species can be seen at Trinidad's Asa Wright nature centre.

Although generally considered elusive, Britain's mammals, which no longer include bears, can be surprisingly easy to see. During the autumn rut the three largest deer species - fallow, sika and red - are at their most striking. As they are preoccupied with securing mates, they are both dramatic to watch and often unguarded.

The Scottish highlands, Exmoor, the New Forest or any one of the deer parks throughout Britain should be fruitful places to visit.

For more information mammals, a useful booklet, *Where To Watch Mammals*, is published by the Mammal Society. There are numerous wildlife holidays available in Britain, and some of the best are run by universities such as Exeter, Nottingham and Bristol, and by the Field Studies Council.

None, however, includes bears. It will be a long time before I experience another wildlife sighting as

exciting as my black bear in New Hampshire, US.

Information: Discover New England, Park Farm, Folkestone, Kent CT19 6DZ (0303-226606).

British Airways Holidays (0333-463311).

Eclipse Sound Outfitting, Pond Inlet, NW7, Canada (616-859 8790).

South Australia (0848-33140).

New Zealand Tourism Board, New Zealand House, Haymarket, London SW1Y 4TQ (071-173 0360).

World Discoverer, Clipper, Suite 301, Albany House, 324-326 Regent Street, London W1R 3AA, (071-438 2931).

Trinidad, Tobago and Guyana tour, World of Wildlife, Abercrombie and Kent, Sloane Square House, Holborn Place, London SW1W 8NS (071-730 9600).

Where to Watch Mammals, The Mammal Society, 15 Cloisters Business Centre, 8 Battersea Park Road,

London SW8 4BG (071-495 4358).

Department of Continuing and Adult Education, University of Exeter, Cotleigh Streatham Rise, Exeter EX4 4PE (0392-411902).

Learn at Leisure, University of Nottingham, 14 Shakespeare Street, Nottingham NG1 4FJ (0602-516526).

Department for Continuing Education, University of Bristol, 8-10 Berkeley Square, Clifton Bristol, BS8 1HX (0272-287172).

The Field Studies Council, Preston Montford, Montford Bridge, Shrewsbury, Shropshire SY4 1HW (0743-850674).



Fishing in circles: Peruvian Indians cast nets into the Amazon. Fish are so numerous every cast brings a catch

Afloat in the deep jungle

I was alone, paddling a small dug-out canoe through flooded rainforest. The boat was borrowed, the paddle my own, traded with the Jagua Indians for valued T-shirts, and the forest was immense, writes Michael J. Woods.

The low afternoon sun penetrated the riverine trees, illuminating trunks whitened by lichens and the green of thin palm fronds and huge leaved epiphytes. These, in turn, were reflected in the Amazon's motionless waters which, in spite of a patina of dust, leaves and twigs, formed a perfect reverse image.

A ringed kingfisher flew across the water, a large bird with chestnut belly, white collar and determined manner, while a crimson crested woodpecker, in black with a red cap, pecked delicately at a dead stump.

The Amazon near Iquitos in Peru, still 1,200 miles from the sea and normally five miles across, was flooded to almost twice its width. Banana fields were submerged, the houses, all on stilts, stood just above the flood, and water lapped deep into the forest.

From Iquitos, a small town of crumbling facades, rusty corrugated iron and an atmosphere redolent of Greene and Conrad, we motored downstream to the Exploranda Camp in a long narrow boat thatched against sun and rain.

This was the first of three camps I visited, all designed in fundamentally the same simple and unobtrusive way with bedroom blocks linked by covered walkways to showers, toilets and communal areas festooned with hammocks.

There is no electricity, little plumbing and the limited privacy in the bedrooms, which are designed to encourage a flow of air. The locations are perfect, the food good and the beds comfortable and well-netted to prevent mosquitoes "singing a private song in your ear", as Julio Parano, our Peruvian Indian guide so aptly put it.

Visiting at a time of high water had its advantages, for though the jungle walks were curtailed, we made up for that with river cruises in open boat. The rivers, twisting, caramel-coloured and soupy with silt, are the highways of the rainforest. There is constant traffic ranging from overloaded banana boats labouring upstream to the quick canoes of children which, on school days, line the shore by the schools.

Parano, now a conservationist and guide, was raised as a hunter in the jungle and has senses appropriately honed. From the water his keen eyes spotted greenish coloured three-toed sloths clinging motionless to bankside foliage; he pointed out a bushy-tailed squirrel which scampered high into the tree tops; and once, identifying a pygmy marmoset by its squall, scoured the vegetation with his binoculars until he located its tiny form. Swallow-tailed kites wheeled above the trees, egrets hunted the shallows and parrots screeched past on whirling wings.

One afternoon Julio took us in search of the hoatzin (pronounced watzon), a noisy chicken-sized bird of some scarcity living on a lake in the centre of a forested island. High water had joined

the pool to the river but, our long boat was too big to penetrate the trees.

Unperturbed, Julio intercepted a local lad who was paddling past and hired him to carry us in pairs in his canoe, weaving deftly through the trunks, to spot several hoatzins as they squawked to one another in the twilight.

Life with Julio was never dull. Unannounced, we would pull into villages to see what was going on. We were invited into houses to watch the cooking of manioc and the salting of fish; we weaved thatch, paddled canoes and joined local men in netting fish.

Holding the heavy folds of the net in hands and teeth with a loop over one elbow, we whirled it outwards to open like a parachute, theoretically hitting the water in a circle and sliding through the surface to trap fish in its mesh bell. Although in practice the circle was often far from perfect, the fish were so numerous that every cast was a success.

Everything in the rainforest seems to have grown to excessive size. Lily pads were like bat trays, insects as big as mice, butterflies the size of bats and bats as large as crows.

But for a habitat as rich and varied as this, there is surprisingly little to see at ground level, for most of life goes on in the tree-tops. Fortunately, the Amazon Centre for Environmental Education and Research offers an opportunity, unique in South America, to wander around the canopy more than 100ft above the ground on a series of swooping suspension bridges.

As I looked down, the jungle hummed and whined like a very bad international telephone line, interrupted periodically by pings and buzzes, yelps and yaps, while at my feet stretched a billowing carpet of leaves in every imaginable shade of green, from the palest celery to the blackest spring cabbage.

Brightly-coloured birds stood out from its surface - azure-spangled cotingas, golden woodpeckers, green honeycreepers and red-throated caracaras. I watched a centipede make its sinuous way over the crevasses of bark and wondered idly if this was a species previously known to man.

After the still, dark, humid oppression of the forest floor, the canopy walkway supplied a breath of fresh air. But the best moments were on the river as day broke.

The soft light of dawn cast everything in a greenish-grey shade, a veil of mist shrouded the trees and their perfect reflections wrinkled in our wake. Fishermen cast their nets with gentle splashes and blue-grey woodsmoke rose from rekindled fires. Apart from the quiet calls of children in their red cedar canoes, the only other sound was the dripping of water from up-raised paddles as we glided slowly through the Amazon jungle.

Michael Woods flew to Miami with British Airways and then travelled to Peru and the jungle camps of Exploranda, Exploranda and ACEER c/o Wildlife Discovery: The Old Bakery, South Road, Reigate, Surrey RH2 7LB (tel: 0737-223903).

Along the trail of the trappers

The minke whale was heading west. Marine Atlantic's ship *North-ern Ranger* was going east. We passed each other near Black Island at the mouth of the Churchill River on the coast of Labrador, each going about our business with single-minded concentration. The whale was pushing purposefully through the water and rising to breathe with a minimum of effort. I saw it only twice and then it was gone.

The *North-ern Ranger* had just called at Rigolet to discharge cargo and take on passengers. Now, just after 6am, the sea ahead was like silk - grey, glinting, smooth. The ship tore it apart and left it in shreds and tatters astern.

Labradorers rely on water - lakes, rivers or sea, liquid or frozen - to get about. Labrador has plenty of wilderness and few roads, fewer of them are surfaced. The trans-Labrador highway slashes across the widest part, a bumpy 350 miles from Labrador City to Goose Bay, and that is about it. To reach any of the coastal settlements you must take the coastal steamer in summer or drive a snow-mobile over the ice in winter. Or you can fly.

Heavy loads come by boat. The forward hold of the *North-ern Ranger* contained snowmobiles, all-terrain vehicles, bundles of timber, great bags of sand and gravel, a three-piece suite, a kitchen and various domestic items. We passengers travelled behind. My roomy cabin had the widest bunk I have ever slept in.

A favourite time to see the coast is to take a two-week return trip from the base at Lewisporte. Recognising this leisure use of their boats, Marine Atlantic, asked Labrador Seaside to provide a guide and a full itinerary for their holidaying guests. I joined at Goose Bay, a settlement founded around an airbase.

From here we were taken in small boats across the Churchill to Mud Lake, the unimpressive name of an attractive little village beside the lake. Narrow paths through tall grasses and groves of pink willowherb led from one colourful clapboard house to another. Huskies, in summer retirement, barked from their moorings in the surrounding woods and chortling children played by the river.

We rejoined the *North-ern Ranger* just before dark and at 10pm. She coiled her ropes

aboard and we steamed away towards the north. As we went, the scenery changed. Trees became more infrequent and bare bed-rock, ground down and smoothed by millennia of ice, increased. Icebergs hovered on the horizon.

We received word that three polar bears had been seen on the previous day on Quaker's Hat, an island noted for its thousands of breeding sea birds. Crowds hung over the rails as the ship drew near but the bears had gone. The ship hooted loud and long as we passed and the sky filled with anxious sea birds.

At each settlement the ship became lighter as the hold emptied. This gave time for the passengers to look around although, although for some, it was never quite enough. Twice the ship had to return and pick up a lonely figure waving forlornly from the pier.

Nain is the most northerly

Michael J. Woods sails and canoes up the rivers and coast of Labrador

settlement on the coast and the turning point for the ship. After a tour of the town's sandy streets to see its sports hall, television station, fish plant and Moravian church, I walked up the hill behind. A short steep climb gave me a view north over wave after wave of inlets and islands much like those we had already passed.

The thousands of miles of apparently empty countryside are home to bears and wolves and the largest caribou herd in the world. These animals, together with smaller fry such as foxes and martens, were the quarry of trappers and hunters who would spend all winter amassing meat and skins. After more than six months away from home in the toughest conditions - the temperature often hit 40 below - they would load their Canadian canoes to the gunwales and paddle home with the spring thaw to wives wondering anxiously if they had survived.

Joe Goudie comes from such a family, his father and his uncle were trappers and Joe still has hunting in his blood along with a dash of Welsh, Scottish and Cree Indian. One

time MP and now Native Liaison Officer for Canada's National Defence, Joe also leads canoe safaris down the Churchill River.

After a night in a log cabin set in open spruce woods, we put the boat in the water, loaded it with tent, wood-burning stove, food, axe and saw and paddled away. The river was flowing quite swiftly especially in the early part of the journey where the water was most exciting although never dangerous. After that it was easy paddling and we passed gently through the wilderness.

We kept our eyes open for moose and bear, drifted up to great northern divers and Canada geese and watched ospreys patrol overhead. The river widened into lakes and then closed around us again, dark walls of spruce and fir lightened by the brighter green of willow, alder and white trunked poplar by the waterside.

On one high bank the trees were tipped at crazy angles, their bark torn from their trunks. This was the work of ice, said Joe, carried down on a river vastly swollen by the thaw and shredding any obstacle in its path.

Distant spruce trees marked the site of our camp, their dark knobs looking like the spires of a medieval cathedral. We pulled out on to a sandy beach from where we watched the sunset as we ate salmon and trapper's bread. Only the black flies, which plagued us briefly as an evening calm descended, marred an otherwise perfect spot.

A side trip up a stream to visit a beaver lodge left only a couple of hours paddling before the end of our voyage just above Muskrat Falls. Here the twisting, coiling water of the river was transformed into a roaring fury of foam. Joe picked up the 70lb canoe, swung it easily on to his shoulders, and carried it up the steep path which marked the portage route the trappers used to avoid the falls. To them it was just a brief interruption in their long journey along this river road.

Canadian Tourist Office Information: 071-839 2299.
Marine Atlantic, Reservation Bureau, PO Box 520, Port aux Basques, Newfoundland, Canada A0M 1C0 (709-695 3209).
Labrador Seaside Ltd, PO Box 233, Northwest River, Labrador, Canada AOP 1M0 (709-497 8266).

Far below me among the grey, wave-worn rocks of the inhospitable shore were the tiny white forms of young seals. They appeared lifeless: their puny bodies must surely have been shattered by the tumultuous ocean as it beat upon the island and flung them among the hard stones.

However, through binoculars I could see an occasional movement. I also spotted several of the rocks "shifting", too, for some of the "rocks" were adult grey seals. They had come to give birth on this nursery beach and now some of the mothers were suckling pups.

Giving birth in the grey seal world is closely followed by mating, for it is the one time in the year that bulls can find

groups of cows gathered together. From my cliff-top vantage point I had an excellent view of the action as males skirmished with males, bulls pursued cows and mothers protected pups.

These dramas were unfolding in the Shetland Isles, the archipelago of about 100 islands which makes up the most northerly point of Britain. As close to Bergen in Norway as to Aberdeen. The Shetlands are inhabited by a people whose musical tongue seems to owe as much to Norwegian as it does to English and who are the first to

acknowledge their strong links with Scandinavia. Including Mainland, there are five notable islands in this wind-swept but mild northern outpost, and each appears to have a wildlife speciality of its own.

The northernmost island is Unst. The Burra Pith forms a deep cleft in its north coast and on one side of this fjord is Hermaness national nature reserve, the spring-time breeding site for thousands of sea birds. Of these, the most sensational are the gannets: goose-sized birds which fish by plunging into the ocean from a considerable height.

I watched them hunting for over an hour as bird after bird folded its wings back against its body and plummeted like an arrow deep into the water. Both great and arctic skuas nest here, too. Unmerciful pirates, they will harry the other birds until they disgorge the fish they have caught.

Fetlar is the smallest of the main islands. With fewer than 100 people, it struggles constantly to maintain its human population, though matters are reversed in the summer when bird-watchers arrive because of two rare visitors. Beautiful snowy owls nested

here for a number of years until 1975. The females of these white, amber-eyed birds still return each summer, though sadly not to breed. Seventy per cent of the British population of red-necked phalaropes, a small swimming water, breed on Fetlar. The Royal Society for the Protection of Birds has a large reserve and a public viewing hide.

Yell, with its high heather moorland and convoluted shoreline, is reputedly the outer island of Shetland, although I caught sight of others on all the islands apart from Fair Isle. Shetland is

home to around 1,000 otters - one of the densest populations in western Europe.

Otters turn up in the sheltered bays or fjords around Yell's coast. I watched one animal playing exuberantly in the wake of my ferry. Those who are patient should have good views of these lovely mammals as they swim and dive or feed along the shore.

Mainland is the largest of the islands. Its southernmost point hit the headlines in January 1993 when the oil tanker *MT Braer* went aground releasing 84,000 tonnes of crude into the sea. The effect on Shetland

and its wildlife appears to have been slight, and there are still big sea-bird colonies on the cliffs of Sumburgh Head.

Much of Shetland's coastline consists of dramatic cliffs, some of the finest are on the west coast at Westerwick. These are good spots to watch for cetaceans. Killer and pilot whales have been seen from here and several species of dolphin occur around Shetland. It is said that the Good Shepherd, Fair Isle's boat, encounters dolphins on almost half its summer voyages.

Spring and early summer are the best times to catch the

large colonies of nesting sea birds but autumn can be good for other reasons. It is the time when migrants, flying south from the Arctic Circle, pass through. October is when grey seals pup and mate and there is much seal activity in many hidden coves and caves.

Shetland Islands Tourism, Information Centre, Lerwick, Shetland ZE1 0LU (0655-3434).

Busta House Hotel, Busta, Brae, Shetland (08062-2506). (Contact Busta House for inclusive packages).

DA Study Tours, Williamston House, Culross, Fife (0333-882290).

M Phillips, Nature Guide Caledonia, Shires Mill, Dunfermline, Fife (0353-830381).

M.J.W.

Among the Lesser Antilles in the Caribbean, Nevis is one of the smaller islands. It is sister island to St Kitts. Nevis is very much the little sister, a village of an island, 9,000 people clustered around a dormant volcano with the sea lapping at their feet, writes Michael J. Woods.

Nevis is in the group known as the Leeward Islands, which seems to mean little for the wind blows constantly, especially up in the hills, and keeps the humidity at comfortable levels: the perfect climate for the active, I thought, for I am a restless soul and cannot be doing with endless days on the beach.

Like many of its neighbours, Nevis has a history of sugar plantations dating from the 17th century. The remains of

some of the sugar estates are still being found. I visited several in the company of a local guide, David Rollinson. Each had a windmill built like a nuclear silo to withstand the battering of hurricanes - the agitation of earthquakes - the price to be paid for living on an otherwise perfect island.

Jim Johnson, another guide, led me to a sugar mill ruin he had only recently discovered, buried in a secondary growth of jungle. The remains of the private chapel were almost filled with living pillars of weeping fig stems.

The weeping fig is a fast-growing and prolific tree, and there is a great spreading

example at the entrance to Montpelier Plantation Inn which was my home for the week. It casts dense shade over the front of the main building, once part of a sugar factory. The great house no longer exists but is notable for being the place where Nelson married Frances Nisbet in 1787.

The Montpelier is perfectly located on a saddle on the lower slopes of Nevis' volcano. It has such a relaxing atmosphere that I could feel my resolution to be active seeping away as each day passed.

Like many similar islands, Nevis has suffered from the damage caused by imported mammals. Goats, sheep, pigs

and donkeys do little for the indigenous flora while mongooses, and the rats they were brought in to control, have eliminated the native agoutis, iguanas and edible frogs.

While the bird life is limited, there were enough fish to satisfy anyone. To see them, Julian Rigby took me in his boat across the two-mile strait to St Kitts.

Fish, mainly small and in electric blues and yellows, played and fed among the coral and sea fans. Occasionally I would glimpse something more subtle, a flat fish rippling beneath the sand, for instance. Sometimes it was more sinister: when five larger, almost

circular fish, in silver edged with blue, swam through in line, every inhabitant of this underwater world fled.

St Kitts was also the location of my most active exploit of the week, climbing Mount Nevis. This is St Kitts' volcano, 3,700ft high and topped with cloud forest. The route was followed as carved out of the mountain-side through the rain forest by slaves in 1690. Greg Pereira drove us in his Landrover through steep cane fields to the edge of the forest where we stopped for a picnic breakfast. We were already promisingly high. From here he pointed to our destination on the crater rim, 1,000ft below



the summit proper.

The forest was cool and delightful, full of tree ferns and palms. Some tall trees had buttress roots and others had been overtaken by strangler figs, while the ground was green with soft club moss. The path steepened until, at times, we

were climbing ladders of roots. But the views both over the island and down into the forested crater, with its occasional sulphur-fringed fumaroles, were worth the climb.

On my last day I went in find Nevis' water source, up a track spiralling around the moun-

tain. But, after an hour or so, the attraction began to fade and I found visions of a cool dip and a leisurely lunch by the pool at the Montpelier floating into my mind.

The sun seemed to get hotter and the hills became increasingly steep. I never did reach that spring.

Michael Woods was a guest of Montpelier Plantation Inn, PO Box 474, Nevis, West Indies, (tel: 809-463462). His visit was arranged by Caribbean Connection (UK tel: 0244-341131), whose prices for seven nights at Montpelier start at £246 per person, including flights and breakfast. David Rollinson runs Eco-tours Nevis (809-4620891). Jim Johnson can be contacted on 809-4695371, and Julian Rigby on 809-4696950. Greg Pereira organises walking tours on St Kitts, (809-464121).

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PERSPECTIVES / OUTDOORS

As They Say In Europe

Does British philosophy exist?

James Morgan explains why the death of intellectual Sir Karl Popper made news abroad

Taking up from where we left off last week - the inadequate intellectual agility of the English - we see the same phenomenon highlighted in an important story this week. Sir Karl Popper died a week ago: he was, according to the Nobel prizewinner, Sir Peter Medawar, the greatest philosopher of science "who has ever lived". His work extended beyond that area, but for the British his death was a matter largely for the obituary pages. On the continent Popper's death was news.

Like most British intellectuals of his generation, Sir Karl was born in Vienna in the first decade of the century. He left for New Zealand initially, to avoid the Nazis. He was a member of the famous Vienna Circle which gave logical positivism and the verification principle to an unsuspecting world. To British journalists, the verification principle is a tool employed by a ruthless manager in any crackdown on expense claims. To continentalists the

mere mention of such matters provides the occasion for a flashy display of intellectual skills. Few there would admit any deficiency in their acquaintance with the course of 20th century philosophy. This was nowhere better illustrated than in Vienna itself. Among the massive tributes paid to Popper, the article by Pia Maria Pechl, a leading local columnist and luminary, in *Die Presse*, stood out. She opened with an alleged quotation from the philosopher, which, in one formulation, concerned a black man searching for a black hat in a black cellar. A fruitless search might have led him to conclude, "It's

really not there." Popper had shown the world that the correct response was, "Maybe it's really not there." Maybe the commuter on the rush-hour tram from Grinzing understands this sort of thing but it left me puzzled. Why does the man have to be black, for example? In Vienna, Popper mixed with the logical positivists. Another noted philosopher, A J Ayer, when asked on television why he had ceased to be a logical positivist, replied: "Because it was all rubbish." This statement caused a sensation in the British philosophical community which speculated for some years on its exact meaning.

In southern Europe television dominated many of the Popper-inspired stories. The reporters there wisely kept to philosophies they could understand. Sunday's *La Stampa* pretended it was really interested in Popper's seminal work of 1945, *The Open Society and its Enemies*, but did not take long to get round to his view that television was the real enemy of democracy and that it encouraged violence among the young. *El País* on Monday was so entranced with this topic that it left Popper to its television critic, who, under the headline, "Popper No" said he did not like the man.

"I do not want the dogmatism of the anti-dogmatists, and I do not like those who not only believe the US model is the least worst of all possible models but usually believe it's the best." The writer went on to argue: "The attribution of crime to television is a matter for minor popular psychologists." But the adjacent listings showed Popper was right: *la Ley de Los Angeles* (LA Law) jostled with bull-fighting and westerns for the attention of the Spanish public that evening. An editorial, entitled "Popper's Hour", appeared on the front of the

Frankfurter Allgemeine Zeitung. In Paris, *Libération* devoted a page and a half to the great man - "We lose Popper". They both grandly noted how he had been able to translate the principle of fallibilism from science to philosophy. This roughly states that nothing can prove a theory to be absolutely true, because something might come along that falsifies it, but only one thing needs to go wrong for it to be proved false. This is the philosophical version of Murphy's law and has certain compelling qualities. But the fallibility principle must presumably apply to the theory that watching television makes you violent. And

equally to the theory that watching television does not make you violent? (As you will gather, I did not emerge from my philosophy finals covered with glory.)

It was probably the *Frankfurter Allgemeine* that produced the most impressive testimony as to Popper's influence: "He played a significant role in the westernisation of the Federal Republic."

This had happened because the former chancellor, Helmut Schmidt, had discovered him early on and then helped push his Social Democratic Party away from dogmatic Marxism.

I cannot believe that it is usual for the death of a philosopher to make such an impact on European commentators. Nor that there has in recent years been a such a man who has spoken from beyond the grave in so many voices. And in so many languages, apart from English that is.

James Morgan is economics correspondent of the BBC World Service.

Gardening

After the massacre, the narcissi

THIS weekend, it is time to plan the annual bulb massacre. During the past 30 years, I have sent hundreds of them to their death: tulips, anemones, iris, muscari - and my latest victims, 200 narcissi, which were planted lovingly on a warm October day last year and responded by sending up two green shoots between the lot of them in March.

Gardeners like to forget the mass murders buried in their gardens because hope springs eternal: if only the Triumph tulips would do the same. But I want to share 35 years' experience of such things with those of you who cannot confess to it or are starting out with high hopes, coloured photographs and bulb catalogues which talk of naturalising.

This year is the tulips' 400th anniversary. I send my happy returns to the family although, as individuals, I have seldom had one which has reached its fifth birthday. But since tulips should not be planted until late October, I will reserve a separate week for their birthday obituary.

How, though, do wise gardeners spend their money with better prospects of success? My successes have always been narcissi. This year, the trade has not found narcissi easy because many of the bulbs did not grow on well in a year of peculiar weather.

I follow firm narcissus rules. I put the tall, hybrid varieties in grass, choosing them to cover their widely differing seasons. I swear by the early icy Follies, followed by Barrett Browning and the late Pheasant's Eye. These narcissi, with a white

base to the flowers, persist better in grass than the tempting all-white daffodils.

Order them in 35 kg bulk for country planting and do not economise by starting with a few and seeing what happens. They grow almost everywhere, but you should segregate the varieties in separate clumps because they flower at different seasons. They look miserable if they open when their neighbours have gone brown.

Small narcissi also are excellent and persist well, but the catalogues mislead you by recommending them for naturalising.

Why not? You might think: after all, some of them grow wild on the Welsh borders or in the Yorkshire dales? The best method is to plant a few, see if they like you and allow them to colonise. Vigour varies widely but you should start with some small, experimental clumps of February Gold, Tête à Tête and the native Lent Lily. They all flower early, allowing you to mow the grass much sooner in the year.

I have known gardeners whose grass has been colonised by these strong varieties after three years. If they start to spread, the best method is to lift and divide them after flowering when they are still in leaf: they move much better late in April, the season when no supplier can send them out. We all buy dry bulbs which need to be planted quickly.

Next year, there is no particular merit in dead-heading them, but it really does help, after flowering, to spray the leaves with liquid fertiliser once a fortnight.

Most of the small narcissi which I have not murdered are used in small groups, in flower beds. They bloom early and the small leaves are unobtrusive when they die. The prettiest, but not the cheapest, is Dove Wings, although groups of a dozen bulbs go a long way.

Generally, you can make as much of an impact with small clumps, spaced well down the

leaves, if you prefer. They arrive like dry, black nuts from the suppliers and I have learned the trick to them. Soak them for 24 hours in a bowl of cold water before planting, and do not worry if you are not entirely sure which side of the corn should be uppermost. Somehow, they right themselves.

They are excellent for the front of beds which will be semi-shaded when leaves return to the trees but where they can open in the spring sunshine meanwhile. They will often spread quite happily and

well choose to take to my desert island: Blue Pearl and Cream Beauty are of unsurpassed beauty and show great stamina along the front of flower beds out of season or at the foot of hedges of roses. On open ground, they persist and multiply, but grass is too much for them. The best multiplier of all in a flower bed is the pale blue verus Vanguard - not the cheapest, but much your best hope of total cover.

Leave aconites alone in quantity. They are better bought in green leaf in the spring and planted in small samples to see if they are happy. The same is true of snowdrops, which few people establish from dry bulbs planted now.

Better bets for the bigger cheque-book are the milk-blue and white chionodoxa Luciliae which spreads rapidly, and the wonderfully early scilla Spring Beauty, which makes clumps but is essential because it flowers so early. Bluebells are a romantic menace and you probably want no more in your life.

I would like to have ended on a positive note. For 20 years, my best early spring bulb was the wonderful iris *Histioides Major*, which flowers in a brilliant blue at a height of 6in and resists any weather. I have never been able to kill it, whereas its other small relations split into small bulbs and dwindle after two years.

Now, the nurserymen have killed it instead. Its two main suppliers in Holland allowed a virus simultaneously into their stock, and this admirable bulb is now off the market.

Robin Lane Fox has some advice for bulb enthusiasts who want to spend wisely and see tangible evidence of success



An early riser: narcissus February gold, the strongest form of all

Ardea London

Motoring / Stuart Marshall

Citroën discovers a cure for the bends

Open most motoring magazines and you will see pictures of family-type cars being cornered savagely, with the wheels on one side pushed up under the body and hanging down on the other. Pity the photographer who has to make head-on action shots of the latest Citroën Xantia Active. They will look as if the car were standing still.

However hard it is cornered, the Active refuses to roll. If you look closely at the tyres, you might see a tiny amount of side-wall distortion - but that would be all.

The secret? The Active has an electronically controlled roll limitation system. As soon as the body inclines by half of one degree, sensors activate a pair

of hydraulic jacks. Working in conjunction with Citroën's unique gas/hydraulic suspension, they keep the body as flat as it would be on a car with no springs at all - without compromising ride comfort in any way.

Although Citroën is reluctant to admit it, the roll-stifling system makes it possible to drive the Active round bends faster than ever. "That is up to the driver," the company says. "We see it as a useful innovation that improves handling and gives the driver greater control." Quite so.

A few days ago, in the Massif Central, I swooped along curving mountain roads in a Citroën Xantia Active at speeds no sensible family man - or even a company rep in a

hurry - would contemplate. It remained undramatically controllable. To drive it like this, however, is to miss the point of active roll limitation.

At realistic speeds, the ride was even more tranquil than that of the normal Xantia XVS turbo-diesel, which is my present personal transport. That is because the absolute lack of body roll makes winding roads feel almost straight, a fact passengers appreciate even more than drivers.

The Active (effectively, the



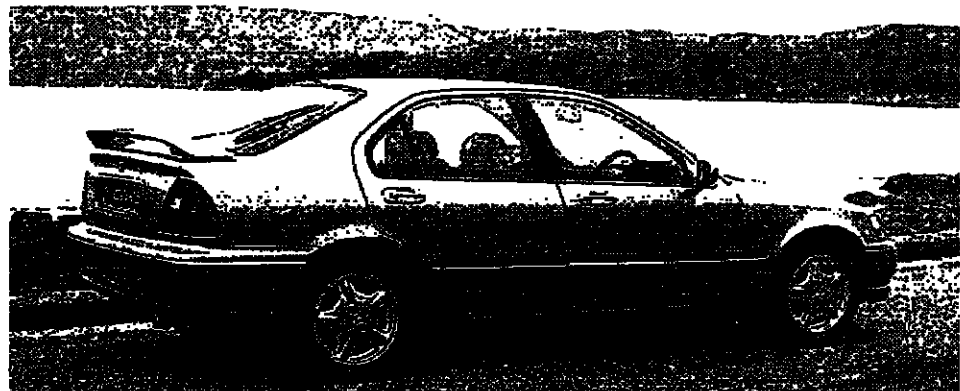
Citroën's Xantia Active...winding roads feel almost straight

top XVS two-litre, 16-valve, petrol-engined model) with its active anti-roll system, makes its debut at the Paris Mondial de l'Automobile opening on October 6.

Active anti-roll suspension was previewed on Citroën concept cars at the past two Paris motor shows, in 1990 and 1992.

It will be featured at this year's show on a startling, though practical, concept car called the Xanée (call it Zan-ey-eh).

Citroën says the Xantia was designed from the outset to take active anti-roll suspension, but there is no reason why the big XM should not be adapted to have it, too.



Honda prepares to take on Europe's best

This is the latest Honda Civic, designed and developed in Britain and Germany for European markets and about

to go into production at Swindon, Wiltshire, writes Stuart Marshall. It will be unveiled in Paris in two weeks and will put Honda into contention with Europe's mainstream car-makers.

At prices between £11,000 and £14,000, the Civic will compete with up-market versions of cars like the Ford Escort, Opel/Vauxhall Astra, Peugeot 306 and Volkswagen Golf.

All Civics are fitted with power steering, and the top models have enough wood

vener interior trim to make former Jaguar owners feel at home.

Four engines - of 1.4 and 1.6-litre capacity - will be offered, two of them with Honda's exclusive VTEC variable valve timing.

Every Civic will have twin air-bags - a first in this class of car, according to the Honda company. Automatic transmission and air-conditioning will be extras, although priced reasonably.

Sales start next month. A new, Civic-based Rover 200 will be launched early in 1995.

Country View / Michael Woods

Why cats get the bird

The news that, in 1994 for the first time, magpies have moved into the top ten garden birds will be greeted with cries of horror in some quarters.

The survey, carried out by almost 20,000 members of the Young Ornithologists Club, shows an overall fall in the numbers of songbirds visiting our gardens. No doubt there will be some who blame the magpie for the loss.

Certainly this fine bird, with its beautiful black and white plumage, tinged with metallic green and blue, and its bold piratical manner, has done extremely well during the past 30 years for its numbers have trebled.

On the other hand it has made a come-back from extreme scarcity and there was a time when it was most unusual to spot a magpie as they were heavily controlled by gamekeepers.

Even today, in areas with large shooting estates, it is a rare occurrence to see one of these birds. But neither the Royal Society for the Protection of Birds nor the British Trust for Ornithology condemn the magpie.

In the poor habitats provided by some gardens, which offer little cover for songbird nests, magpies can be devastating but, generally speaking, their bad reputation is unwarranted. Research shows that in rural areas an increase in the number of magpies has been matched by an increase in songbirds and even the recent YOC survey indicated that chaffinches and coal tits were also moving up in the top ten.

The real reasons for the decline in our songbird population are much more difficult to pin down and probably result from a complex mix rather than one single determinant. Blaming the magpie merely masks the real causes and diverts attention from a proper

investigation. Various explanations have been put forward including the increased use of slug pellets.

One significant cause is likely to be the domestic cat, the population of which, in Britain, now numbers around 8.5m. While the magpie empties a nest by removing nestlings one at a time with a great deal of noise and distress, it is generally taking nature's doomed surplus, the young of incautious or incompetent parents. Often, the then wiser parent birds nest elsewhere and successfully raise a second brood.

Cats, on the other hand,

move silently by night and eliminate the parents, leaving the chicks to perish and thwarting any chance of a second brood, a much more devastating blow.

So rather than blame the magpie, why not contribute to The Cats Protection League which works hard to persuade cat owners to have pets neutered? The spraying of a single female could prevent thousands of unwanted kittens and help many more garden birds to survive.

Information: Cats Protection League, 17 Kings Road, Horsaam, West Sussex (tel: 0403-261 947).

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Workshop References: Please write to the following for a list of references and a list of the Royal Horticultural Society

SPORT

Motor Racing

More power to your right foot

The Formula One year is building to a finale which will be decided by driver skill, writes John Griffiths

Bizarre as it may seem the outcome of this year's Formula One world championship, still the technological pinnacle of motor racing, may prove to have rested on the thickness of a short plank.

Made of wood, bolted to the underside of the Benetton-Ford of current championship leader Michael Schumacher - as it is every grand prix car - its purpose is to make the cars ride higher and thus lose some of the downforce which has allowed them to corner at G-forces for which most circuits had never been designed. The plank forms a small part of the intended safety dividend from that black day in May when the late Ayrton Senna's Williams-Renault speared tragically, and still not wholly explicitly, into the unyielding concrete wall of Imola's infamous Tamborello curve.

Had the plank under Schumacher's Benetton been a few millimetres thicker when it was measured by race officials at the end of the Belgium grand prix, he might be watching tomorrow's Portuguese round from the sidelines reasonably confident that Damon Hill had little chance of challenging his lead in the four remaining grand prix.

Schumacher would have had that confidence even though at

the Estoril circuit he will be sitting out the second race of a two-race ban for ignoring the stewards' black flag for a misdemeanour in the British grand prix at Silverstone. Instead, the plank's missing millimetres, bringing the car closer to the ground and thus making it more aerodynamically effective, were construed by officials as more than could be explained by scraping over the kerbs. Schumacher lost all his points for first place. If Hill takes his Renault-Williams to victory tomorrow, as he has vowed he will, the young German's lead will have been cut to just one point.

In the season's final three races Schumacher will have to cope not just with Hill and the other rivals who he has out-paced so easily this season, but the fiercely competitive former F1 and IndyCar champion Nigel Mansell.

At 41, Mansell, returning from IndyCar to his old Renault-Williams seat, has something to prove. Currently enduring media taunts that he is over the hill, he will almost certainly prove Schumacher's most formidable challenger.

Benetton was also fined in connection with the black flag incident. It has been involved in disputes with the authorities over its in-car computer software and its pit-stop

refuelling equipment. There is a risk that for both Benetton and Schumacher a season which began as a tour de force may end as fiasco. If so, it will be a debacle for Benetton only. Spectators, media and sponsors, are more likely to relish an exciting fight to the finish.

Better yet, this season's rule changes, embracing a "technology ban", and safety changes, are having an almost entirely positive effect on grand prix as competition and spectacle. It may still not offer the wheel-banging closeness of touring car racing, but the huge technological advantage of leading teams has been much diminished. In particular, the banning of traction control, that odious computer device which limited power to the rear wheels while accelerating out of a corner, has tilted the balance of power firmly back to the driver's right foot. No longer is he protected by technology from his own over-eagerness. Recently, we have witnessed even the demi-gods pirouetting into the gravel-traps as they re-learn the traction control through human perception and reflexes.

There are those who argue that the traction control ban is a step backwards in terms of safety, and perhaps it is. But balancing power against available tyre grip is one of the



Plenty to think about: Damon Hill must catch Michael Schumacher, avoid being caught by David Coulthard and worry about Nigel Mansell's return

most fundamental of racing driving skills. Its absence had served to diminish a sport which, by its very essence, can never be wholly safe.

The changes have also helped brave and skilful drivers escape from the relative obscurity of the middle pack.

No-one, for example, could fail to be impressed by Ukyo Katayama thrusting the Tyrrell-Yamaha team back to prominence and harassing even the Williams-Renaults in the most recent grand prix, at Monza.

The hard-charging of Rubens Barrichello with the Jordan-Eart and Ferrari, with Jean Alesi and the ever-cheerful Gerhard Berger, are also beneficiaries of the levelling of the technological playing field.

With Estoril the latest circuit to have corners tamed and run-off areas increased, tomorrow's drama should be confined to the race itself. It should nevertheless contain plot and texture enough for the most demanding aficionado.

In the past few days, Hill and

Schumacher have resigned for their teams. Their immediate futures are assured. But the young Scot, David Coulthard, who must give up his Williams seat to Mansell for the last three grands prix, will be out to prove that it is he, not Mansell, who deserves to drive alongside Hill next year. He pressed Hill hard at Monza and will probably do so again tomorrow. Hill himself is uncomfortably aware of a growing tide of "Coulthard is faster" comment. The coming

months for the likeable Hill will be uncomfortable indeed if tomorrow Coulthard remains behind him only on the basis of team orders.

Neither will gain much relief from Ferrari. Alesi, after leading so easily at Monza until mechanical failure intervened, lusts for his first win.

Trying hardest of all will be Johnny Herbert. It has been a miserable couple of seasons with Lotus for the undoubtedly rapid Englishman. Lotus' deteriorating financial position

led at last to the appointment of administrators a few days ago. Ironically, this coincided with the arrival of new Mugen-Honda engines. At Monza Herbert headed even the Williams cars away from the start. The brief challenge was ended by a collision with the fiery Irishman, Eddy Irvine. But if Herbert can prove tomorrow, in front of several potential sponsors, that Monza was no flash in the pan he may save not only his own career - but Lotus itself.

Soccer

Oh lucky man

Peter Berlin looks at Keegan's Newcastle

Tyneside is gripped by mania. Newcastle United lead the league. One Georgie, among the Arsenal fans in the West Stand at Highbury on Sunday, explained that if he wanted to see his team play he had to travel to away matches to do it. His brother said: "Seeing Newcastle on top of the table seems unreal. It's like having a Labour Government with a thumping majority."

Tyneside has not been touched by football glory for 20 years. In 1974, Newcastle reached the FA Cup final. They were outplayed by Liverpool and lost 3-0. Kevin Keegan inspired the winners and scored twice. The game represented a turning point for both clubs.

Liverpool had won the league two years earlier, but the cup victory signalled the start of a period of unprecedented domination. In the next 15 seasons they won 10 league titles, they also won four European cups. The first inspired by the irrepressible Keegan, the last three master-minded by his replacement, Kenny Dalglish.

Newcastle went into decline. They sold Malcolm MacDonald to Arsenal and Terry McNamee and Alan Kennedy to Liverpool and were relegated in 1978 - one year before the last Labour government fell. They returned to the first division in 1984, inspired by Keegan, Chris Waddle and Peter Beardsley. The euphoria was short-lived. Keegan retired. Dalglish, now manager of Liverpool, bought Beardsley. Newcastle were relegated again in 1989. By February 1992 they had slid into the debt and to the bottom of the second division. The club turned to Keegan again.

Just as Keegan, the player, provided the yardstick by which Dalglish was measured. So Keegan the manager must measure himself against what Dalglish has achieved. Dalglish was more extravagantly gifted but lacked the ebullience which made Keegan a talisman wherever he played. Dalglish won 102 caps for Scotland, yet, unlike Keegan, a sense of underachievement hangs over his international career.

A similar doubt surrounds his time as manager of Liverpool. He managed the club to three championships, the side of 1987-8, was perhaps the greatest Liverpool team. Yet he could not avert the decline of the Liverpool empire.

At Blackburn, Dalglish has hardly put a foot wrong. Arthur Cox and Roy

MacFarland at Derby, Graham Turner and Graham Taylor at Wolves, have also spent heavily from the pockets of benefactors, without lifting their clubs out of division one. Dalglish steered Blackburn to promotion within eight months of arriving and then to second place in the Premiership. But he plodded up the ladder. Keegan scampered.

The team Dalglish built with Jack Walker's gold, possesses a leader quality: witness their grimly uninspired 1-0 loss to Trelleborgs of Sweden in the UEFA Cup. On the same night Newcastle gave a golden performance away to Royal Antwerp. Newcastle won 5-0. They have won all six league games, scoring 23 goals and are four points ahead of Blackburn at the top of the table. Today they are at home to Liverpool whose fans could remind Keegan that Newcastle will not be a great team until they can sustain their form in the first eight matches over eight months.

Even so Keegan's achievement is already striking. He took over at Newcastle four months after Dalglish did at Blackburn. And he took over a team much lower down the league. Dalglish has spent about £20m in three years. Keegan has spent £17m in 30 months. But where Dalglish has bought blue chippers and bargains, Keegan has gained - but then taking over Newcastle when he did was a gamble.

Dalglish spent £2.2m on Tim Flowers, an England goalkeeper. Keegan spent £300,000 on Pavel Srnicek from the Czech Republic. Srnicek dominated at Arsenal. Dalglish spent £3.3m on his two first-choice forwards, Alan Shearer and Chris Sutton. Keegan has spent just over £1m on Beardsley, Andy Cole, Robert Lee and Ruel Fox. Beardsley was 32 and Newcastle's chairman, Sir John Hall, opposed the deal. Cole had played just one top-division game and had a poor personal reputation.

Players blossom at Newcastle. At Norwich, Fox rarely ran at defenders. This season he is a born-again dribbler. Cole is now creator as well as goal-scorer. Lee, who scored roughly a goal every five games at Charlton, is emerging as a game-winner, scoring eight goals in eight games.

Newcastle's success is based on more than an eye for untapped talent. The team has a style. Where Blackburn are solid and functional, Newcastle have a



Tyneside aviator: Beardsley has returned to lead Newcastle to the promised land. See Berlin

distinctive personality.

Last Sunday they posed insuperable problems for one of the league's most sophisticated defences. Newcastle are not the only team in the Premier League dedicated to attack, they are not the only quick, intelligent, passing team. Cole is an exceptional goal-scorer, but there are half a dozen of them in the division. What makes Newcastle special is their relentless running - into attack and back into defence - and the ability of their front four to dribble.

A good passing game is based as much on the effort of the players off the ball as the perception of the man with it. On Sunday, one sweeping Newcastle counter-attack ended with John Beesford, the full-back, appearing unmarked at the far post to make a header. He then turned and sprinted back 90 yards to his defensive position. Opposing defences must choose between picking

up the runs from deep of Beesford, Marc Hottiger, Scott Sellers and Philippe Albert and double-marking Cole, Beardsley, Lee and Fox.

For Arsenal, Martin Keown marked Cole, while Tony Adams burst forward into the space in front of the penalty area from which Beardsley, in particular, likes to plot mischief, to break up attacks. Cole did not score but Keown, stretching and twisting all afternoon, did, twice, in his own net.

Newcastle's own goal in a 3-2 win came from a generously-awarded penalty, but Keegan brushed aside suggestions that his team had been fortunate. Football coaches who want their players to shoot more tell them they must buy tickets to win the lottery. Newcastle's ceaseless, sharply-pointed attacks bring a lot of tickets. They are bound to earn themselves some luck and Keegan has always been a lucky man.

back to Thredbo to ski.

"Do you have a flight going anywhere in New Zealand?" we asked, desperately. There was one to Wellington in half an hour. It was not where we wanted to go, but we grabbed it. As long as we could fly on to Christchurch and reach Mt Hutt before midnight, we would ski that day.

By the time we had neared the bottom of the long, winding dirt road to the mountain, it was 9pm. Would the road be open? Would we be able to reach snow? Would there be anyone there?

To our relief, the place was humming. Soon Lucy and I were rumbling up the mountain in snow cats for two mile-long descents, our paths lit by powerful arc-lights on the machines. Our record of skiing every day was intact - just.

headed for Sydney en route to New Zealand's South Island.

"No dramas, mate," is a common saying Down Under. But, suddenly, there were. While we were having breakfast overlooking Sydney harbour, our flight to Christchurch was taking off without us.

Our tickets were printed last year - and Air New Zealand's schedules had changed so that our flight left at 8am instead of 11.30. At the airport, we were told the next flight would not get us to Christchurch until after midnight. The grim prospect loomed of a 300-mile drive

Skiing/Arnie Wilson

Just the ticket, mate

"world-wide reputations", good as they are, and whether "every metre is groomed like a Test match wicket". This kind of hype is encouraged by intense rivalry between Thredbo and its biggest rival, neighbouring Perisher Valley.

Until recently, Perisher claimed the highest lift in Australia: the Mt Perisher double chair. Then, Thredbo had it surveyed on the sly and announced that, because the lift did not quite reach the summit, it had the highest - Karek's T-bar, at just under 6,675 ft - by just over one ski-

er's height: 6ft 6in.

Our last resort in Australia was Perisher's other big rival, Mount Blue Cow. Built only seven years ago, the name is said to be inspired by a cow belonging to a stockman's wife which strayed into the high pastures one autumn and was found frozen to death the following spring.

Recently, The Cow, Australia's newest resort, bought one of the oldest - its neighbour, Guthega. It was here that we skied our last trails in Australia. Wombat's Lament and Mother-in-Law, after that we

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world trip.

It would seem natural, we were told, "for Julie Andrews to suddenly cavort through the wild, flower-strewn hills" at Thredbo, New South Wales. Sadly, during our visit, she appeared to have stayed at home in Gstaad. Still, you can understand the attempts by the resort's marketing department to depict it as something out of the European Alps, in spite of the ubiquitous snow gums and crimson roses.

It does have a most attractive mountain village and the skiing, on balance, is probably the best in Australia. But it is debatable whether "hot runs like Cannonball, Funnell Web and Michael's Mistake" have

Rugby

Four views of the southern stars

Two weeks ago, I took one of the Sydney's new double-decker trains to North Sydney to watch the rugby union semi-final between Warrington and Gordon.

The ground has a *Field of Dreams* quality to it: it is a quaint and mellow oval which could easily double as a home for a Palm Court orchestra and it is owned not by Warrington or Gordon or by the Sydney or New South Wales RFUs but by the local council. As such it plays home at weekends to the North Sydney professional rugby league team and a host of rugby union sides, something we, in England, find unacceptable, although why we do is hard to fathom.

Although Gordon caused an upset last year by winning the Grand Final - Randwick, the best side, had done a Bath, losing their concentration, and the match, in an early round - this year they have been a shadow of themselves. Warrington, with a strong pack and fielding the best player, Mark Catchpole (son of the legendary Ken Catchpole), at scrum-half, were favourites.

The game was played under floodlights to attract a larger crowd: the first rugby league semi-final, which drew 40,000 to the Sydney Football Ground that afternoon would have offered an over-powering competition.

As I watched Gordon and Warrington my mind wandered, the game had little attraction for the neutral spectator and I kept thinking that I had seen parts of the ground before. It was not until later that it dawned on me that the stands had come from the Sydney Cricket Ground when the "hill" was dug-up.

In the end, in front of 8,000, Warrington emerged the winners by 29-16 though Gordon were much the better side. Warrington went on to lose to Randwick a week later.

It was an unfair comparison but a week earlier I had been in the Bosch hospitality suite at Ellis Park in Johannesburg to watch Transvaal narrowly beat Western Province in the Lion Cup, South Africa's equivalent of the Pilkington Cup. In front of 42,000 spectators. That day, there were 20 prospective international players on show. At North Sydney there were none.

Sydney is essentially a village, you go to a bar or restaurant and bump into the stranger of people. I ran into Sir Nicholas Sheehade who was Lord Mayor of the city when I first visited in 1975 with the England rugby team. He invited me to a game that weekend, the major rugby league semi-final between Canberra and Canterbury at the

SFG, where a month earlier the Wallabies had beaten New Zealand in the Bledisloe Cup with that tackle by George Gregan.

There was a buzz in the air. The media was excited and at the many breakfasts, lunches and cocktail parties that morning, the talk was of the game.

The ground, by Australia's best known architect, Philip Cox, ranks alongside those at Murrayfield and Old Trafford. Sir Nick chairs the trust that also looks after its neighbour, Sydney Cricket Ground.

We were joined at his table for lunch by, among others, a cabinet minister and David Campese, the Wallaby back, fresh, or rather, unfresh from his French, Barbarian appearance in Paris against the Barbarians.

Big-spending rugby league

Derek Wyatt saw the best of the League and Union seasons below the equator

club, Canberra Raiders, have had the most brilliant season. Their full back, Brett Mullins is the best player in the world and their line up also includes Mal Meninga, although he is well past his sell by date.

Canterbury on the other hand are the local side made good, deeply embedded in the culture of their south Sydney suburb. It is not unusual for them to hold Greek or Italian family days. They have established a strong link with the underclass in Sydney and they have carefully exploited their underdog position.

The game was played in perfect conditions in front of a capacity crowd of 43,000. With just under two minutes to go to full-time, Canterbury led by 17-12. At the last, they succumbed to a try by the post and with the scores level, the game went to over-time.

It was heart-in-the-mouth stuff and a replay seemed on the cards until Canberra's Darryl Hargrigan, a former New Zealand rugby union player, squeezed in a drop goal late-on to take the game by one point. All the talk - in South Africa, in Australia and in New Zealand - is about how rugby union will go open. No one, that is no one administrator or player, has a blue-print that works beyond their own country.

In South Africa, the revenue from the provincial games runs into millions of pounds. As a result, players are training five days a week and being appropriately enriched for their

full-time commitments. Nowhere else in the world, except perhaps France, is this possible.

In Australia, Nick Farr-Jones, the captain of the 1991 Rugby World Cup winners, suggested that the best solution for union, very much the poor relation to League, was to: "replicate the cricket scenario. We have grade cricket, Sheffield Shield matches and internationals. The grade cricketer gets nothing, the state cricketer receives appearance money and the internationals are paid well."

"Rugby must do the same - club rugby doesn't have the support to pay players; state and national rugby does. We must find a way to compensate the players fairly for their efforts but I would advise against the players giving up their day-job."

Farr-Jones does not believe it would be wise for players just to play rugby and not have some regular employment.

David Kirk, the All Blacks captain of the 1987 world cup winners, said in Wellington, where he works as the adviser to the Prime Minister, Jim Bolger: "The change in emphasis in the game where players are seeking payment has brought a greedier, less intelligent player into union."

"Too many of our current squad are unemployed or euphemistically employed by unions or self-employed working somewhere in the so called sports business."

Last Saturday, I watched quite the best game of rugby I have seen since the All Blacks demolished London at Twickenham a year ago, when I attended the Auckland versus Otago match in New Zealand. The score, 46-30 to Auckland, belies the quality of the skills on show. This was, I was told, how Auckland, last season's champions, have been playing for three seasons and is the legacy of a previous coach, John Hart.

I was fortunate to arrive in time for the NZRFU Council's vote to decide on who would coach the All Blacks for next year's world cup.

Laurie Mains, the incumbent, having lost an unprecedented four out of six Tests this season was returned by 11 votes to eight. Poor John Hart was defeated for a third time and will not stand again.

The debate about the "coach" has dominated the news for three weeks and the decision to re-appoint Mains became the lead story for the 1pm, 6pm and late evening news programmes on all three TV networks.

That night, I saw a piece of graffiti: "To win the world cup in '95, NZ needs a coach not a Lawrie." But do not write off New Zealand yet.

BOOKS

Crisis in the Caribbean backyard

Stephen Fidler on intervention, ambivalence and recriminations on the island of Haiti

Haiti's first leader, Jean-Jacques Dessalines, said: "Pluck the chicken as long as it does not squawk." His successors have been enthusiastically following his advice for 190 years.

That the chicken is now hardly worth plucking is not the achievement of Haiti's corrupt leadership alone, however. As US troops once more land on Haitian soil, it is worth remembering that almost every foreign intervention in this nation's history has ended in recrimination - for both sides.

For the US, which sent gunboats into Haitian waters two dozen times between 1849 and 1913 and occupied the country for 19 years this century, Haiti has been one of the most troublesome countries in

its Caribbean backyard.

This book, fortuitously published as the US prepared its invasion force, suggests it will continue to be. For those confused by last week's developments, this eclectic collection of essays, documents and chronology is full of insight.

Its editor, James Ridgeway, is a columnist on New York's Village Voice. He provides two chapters: on Haiti's ruling families and the extension of Haitian government terror tactics to New York. The

book's viewpoint is predictably politically correct, but the targets at which it takes aim - the country's mulatto oligarchy, its drug-running army and police, the Duvaliers and the US government and its agencies - are legitimate.

While some may want to discard the more egregious conspiracy theories, what comes through strongly is the ambivalence at the heart of the US government about Haiti policy. It is an ambivalence that continues even with US troops on the

**THE HAITI FILES:
DECODING THE CRISIS**
edited by James Ridgeway
Latin American Bureau £9.99,
243 pages

ground. Here is current commerce secretary Ron Brown, who as partner in a Washington law firm represented the Haitian government of Jean-Claude "Baby Doc" Duvalier in the US for the four years until

just before Baby Doc was kicked out of the country in 1986.

The US military's preference for their brothers in uniform - led by West Point graduate Lt Gen Raoul Cédras - over the poor illiterate people who make up the majority of exiled President Jean-Bertrand Aristide's support, is also clear. Last year, when lightly-armed US troops were heading to Haiti to back an accord to return Aristide to the island, a Pentagon spokesman helpfully said: "One shot and

we're out of there." Unsurprisingly, the government organised a riot by armed thugs in Port-au-Prince as the US army was to arrive, and the troop carriers turned back.

Now as US generals emphasise the patriotism of Cédras and the Haitian military leaders, US troops are fanning out through Haiti with the help of the Haitian military. Yet were not these the people the US was determined to oust only a week ago? If it is the biggest part of the problem, how can the Haitian army

be part of the solution?

In one chapter, a supporter of the Haitian military government argues that the man the US has to fear most is not Cédras, but police chief Michel François who runs the so-called *attachés* - thugs attached to the police - and is cited as being linked to Colombian cocaine barons.

"Michel François is sworn not to let Aristide come back. You're not going to work a deal with him... They [the US intervention force] are going to have to kill François." For a US administration anxious not to repeat the mistakes of its intervention in Somalia - when a witch hunt for clan leader Mohamed Farah Aided ended disastrously - this must be a chilling thought.

Muddles and moral certainties

Anne Applebaum on two curiously complementary views of Russia

Here we have two books. In one, a Daily Telegraph journalist describes three years spent in Moscow, reporting on corruption and economic decay; in the other, a would-be fascist propounds a narrow vision of Russian economic and military superiority, making liberal use of apocalyptic and apocalyptic. An odd pair, but together, John Kampfner's *Inside Yeltsin's Russia* and Vladimir Zhirinovskiy's *Little Black Book* shed light on one another in a curious and unexpected fashion.

Inside Yeltsin's Russia is typical of its genre, opening with Kampfner's memory of student days in Russia, and concluding with a forecast of Russia's future. In between, *Inside Yeltsin's Russia* is sometimes muddled, occasionally switching too quickly from businessmen to politicians and then back again.

But it may be that the book's

INSIDE YELTSIN'S RUSSIA
by John Kampfner
Cassell £17.99, 288 pages

**ZHIRINOVSKIY: THE
LITTLE BLACK BOOK**
edited by Graham Fraser
and George Lancelle
Penguin £5.99, 173 pages

structure reflects the confusing nature of its subject with deadly accuracy. Yeltsin's Russia was and still is a Russia in which nothing is quite as it seems. A business is not necessarily business, but might be a mafia front; a bank is not always a bank, but a means to launder money. Businessmen are not necessarily businessmen, and politicians are not necessarily politicians.

Kampfner writes that "ideological differences played a part, but not the most significant part, in the power struggle that dominated Yeltsin's first years in power. Politics was largely a means to an end, and that end was economic control." Economic control is a polite way to say that politicians were primarily interested in self-enrichment, that politics were largely about money, and that most of what looked like political debate was, in fact, carefully controlled stealing.

Take, for example, Kampfner's convincing explanation of the power struggle between president Yeltsin and vice-president Aleksandr Rutskoy. Although this struggle began in the autumn of 1992 and culminated in the storming of the Russian parliament a year later, its origins lay not in a political difference, but in a bitter disagreement over whose aides and followers were stealing the most.

Rutskoy's Kremlin office was frequented by businessmen who "would barge in unannounced, calling him 'Sasha' and giving him orders"; yet Rutskoy had a habit of summoning his political adversaries to meetings, claiming to possess compromising material about their own business deals, and demanding favours in exchange for keeping quiet. If Rutskoy really was ever interested in constitutional issues - in, say, upholding the principle of legislative rule in the battle against executive power - he did an excellent job of concealing it.

Yet put down Kampfner's book and pick up Zhirinovskiy's *Little Black Book*, and all of the confusion melts effortlessly away. True, *The Little Black Book* is not quite what it appears to be either. Although it also looks, on the surface, like a classic of its genre, sharing its epigrammatic format with Mao's *Little Red Book* and Nietzsche's collected works, it is only a compilation of Zhirinovskiy's sayings, put together by Graham Fraser and George Lancelle, two non-Russians who are (not surprisingly) unsympathetic to the man and his ambitions.

But although in translation and surrounded by critical editorial comment, Zhirinovskiy's actual sayings are concise, and his ideas are clear.

Are both Yeltsin and Rutskoy corrupt? Well, says Zhirinovskiy, "the only party with clean hands and a clear conscience - we are unsullied and unmarked by a single drop of blood - is the Liberal Democratic Party of Russia," the party led by Zhirinovskiy himself. Do people feel economically insecure? Under a Zhirinovskiy government "some of the population will live very well because people will have the opportunity to work honestly and, after that, to enjoy a secure old age." Foreign policy is simple too: "Why should we inflict suffering on ourselves? Let others suffer."

In Zhirinovskiy's speeches all of the muddle and moral uncertainty which are so evident in Kampfner's account of life in modern Russia are swept away - and that, of course, is precisely Zhirinovskiy's appeal to the "lumpenized masses", in whose name he claims to speak.

His star may already be fading, as even the "lumpenized masses" learn to see through him, but Zhirinovskiy will undoubtedly be followed by others who see the value of clear speech and ideas. While Yeltsin dithers, hiring more old apparitionists to work for him, others with better intuitions about what Russians want to hear will, for better or for worse, capture the public's attention. Having read these two books, no one would find it difficult to understand why.



The Capuchin Cemetery in Rome, photographed in 1870: one of 386 extraordinary images from 'The Body: Photoworks of the Human Form' by William A. Ewing (Thames and Hudson, £16.95, 432 pages). The pictures - beautiful, bizarre and sometimes brutal - span Victorian erotica, medical photography, flimsy pin-ups, early anthropological studies and surrealist explorations of nude portraiture.

Fiction/Carlo Gebler

Thwarted dreams of perfection

SIGNALS OF DISTRESS
by Jim Crace
Viking £15,
277 pages

FREELAND
by J.D.F. Jones
Sinclair-Stevenson £14.99,
293 pages

imperfect nature will always sabotage aspirations to utopianism - are explored in J.D.F. Jones's first novel *Freeland*. Both works are also meticulously free of the trickery and verbal show-off so common in novels today.

The *Freelanders* of the title are a motley band of idealists who intend to settle in the Kenyan highlands and establish an ideal and just society, crime free, with collectively owned property.

But to get where they want to go

they must first pass through Lamu, an island off the East African coast and an ancient landfill for mariners on the Indian Ocean. The place is half-Arabic, half-black, civilised, corrupt, corrupting and every bit as confusing and dangerous as the European cities which they have left behind.

As the narrative unfolds it becomes clear that our dreamers are hopeless at holding onto their beliefs amid the whore houses, the transvestites, and the slave traders of Lamu; they become ensnared in local plots and most never even get to Africa proper. To point up the unbridgeable gap between the dream and the sordid facts of human nature, every chapter begins with a quotation from the silly Utopian novel of the movement's founder.

Freeland is part of the long tradition in literature whereby Europeans dumped in tropical climes behave foolishly, dangerously or

criminally and thus reveal that their civilisation is only skin deep. The most sublime example of this form is *Lord of the Flies*.

The cast in *Freeland* is very large, for besides our 20 or so settlers, there is also the local Arab ruler and his clan, the local British administrator, and an Englishman of dubious provenance who joins the visitors in order to spy on them. The author does not always move them about gracefully. He is also somewhat inclined to salt the letters of his characters with asides to the effect that everything is falling apart, rather than revealing this fact.

Yet there is much pleasure in this book for readers who like their fiction straight up, unadorned, without linguistic flights of exhibitionist fancy and no gratuitous *mise en scène* designed to expose either the reader's queasiness or the author's bravery in reporting on the disgusting. A decent read.

A tilt at the New Testament

Enoch Powell courts controversy. That is no bad thing, except that he seems to have a Quixotic talent for picking fights he is bound to lose badly. In this book - a new translation, with commentary, of the gospel according to St Matthew - he does so by returning to his roots as a classical scholar, to tilt at the windmills of New Testament scholarship by proposing a radical new thesis about the Gospels.

There are a number of accounts of the life and teachings of Jesus, of which four were made official by the early Church. One of these, the gospel called "John", is a sophisticated theological work written much later than the others. The others, known as the "Synoptic" gospels, are more historical in character. If the vehement world of biblical scholarship has a standard view about these writings, it goes somewhat as follows.

The earliest is "Mark". It was written in the late fifties AD, in Rome, perhaps under St Peter's supervision. It seems originally to have contained neither the nativity nor resurrection stories. "Mark's" purpose was to persuade Roman

converts that Jesus's crucifixion - a Roman punishment for terrorism - was the result of a plot by Jewish leaders, who were too afraid of the populace to stone him for blasphemy.

"Matthew" and "Luke", the standard view continues, were written independently of each other at least two decades after "Mark", and were based both on "Mark" and a separate source of anecdotes and sayings, now lost, which scholars call "Q".

Any discriminating reader of the gospels will notice further points. "Mark" is a crude work, a record of miracles and deeds, with little of Jesus's teachings in them. "Luke" is a skillful literary work, whose author explores motivation in his characters and crafts a coherent narrative. "Matthew" is clumsy, a poorly edited compilation from unsorted and overlapping materials. But "Matthew" has the virtues of its vices, alone among the gospels it records great tranches

**THE EVOLUTION OF
THE GOSPELS**
by Enoch Powell
Yale University Press £16.99,
224 pages

of ethical teachings, as if its writer (or compilers) had simply transcribed much of "Q". Powell's controversial disruption of this standard picture is that "Matthew" is the original gospel, and "Luke" and "Mark" both derive from it, and from it alone. Matthew himself is a composite work, Powell claims, consisting of an early document with later additions and changes. The early document justifies Peter's mission to the Gentiles, the later changes were made to please Peter's opponents, the Christians who wished to remain within Judaism. In thus witnessing doctrinal struggles in the early church, says Powell, Matthew is uniquely important.

Powell ignores the standard view, and he also ignores an even more important matter, which is that the real first gospel is actually Paul's epistles, written - the standard view again - two decades before "Mark".

A.C. Grayling

Socrates has a great deal to answer for. Thanks to him, and to fellow ancient Plato and Aristotle, the west has got stuck in an adversarial way of thinking, in which creativity has been stifled and destructive criticism has flourished.

In *Parallel Thinking*, Edward de Bono suggests that we put the last 2,500 years behind us and start looking at the world in a new way. No longer should we be preoccupied with truth and falsity, definitions and judgments, but we should think in terms of possibilities, laying before us a number of parallel ideas, using them to design a way forward.

This is his boldest attempt yet to change the way our minds work. The deluge of books from de Bono over the last 30 years has introduced the world to lateral thinking, to water logic and to a large number of other thinking techniques. This time he is doing something more radical: suggesting that we throw out our entire thinking machinery and adopt his ways instead.

To take such a bold step, we are going to need some persuading. He tells us that western thinking, which assumes conditions are stable, is

Judgment in the balance

increasingly ill-equipped to deal with a changing world. He claims it encourages us to be destructive and discriminatory in our habits and institutions (he just stops short of making Socrates responsible for racism).

PARALLEL THINKING
by Edward de Bono
Viking £16, 240 pages

ism, but does blame him for the pointlessly adversarial nature of the British parliamentary system. Western thinking also makes us complacent, because we build everything around the status quo; and arrogant, because we view the truth as absolute. These tendencies mean we cannot accept that the whole system is flawed.

Instead, if we could only stop viewing events in terms of is/is not and always/never and concentrate on sometimes/usually/ maybe the world will open up,

and new ideas and initiatives will fall into our laps. De Bono is not so unrealistic to assume that adults can make the transition easily or quickly. He insists that all schools should teach these new ways of thinking to children, that governments should set up special thinking departments, and that the United Nations should even establish an Office of Creativity.

De Bono is right to point out the dangers of a system that relies excessively on criticism. He is right that new ideas need encouragement, they do not just happen. It may also be true that we are excessively preoccupied with putting events into boxes, rather than viewing them from all sides, and wondering what they lead to.

Yet he overstates his case. As ever with de Bono, the whole is produced with breathtaking arrogance. The sub-title, "From Socratic to de Bono

Thinking", gives a flavour of what is to follow. Every one of the footnotes refers to his own works, and the text is written in a style of one that brooks no opposition. This is made harder to swallow by the fact that parallel thinking is meant to be about humility and alternatives.

There seems no reason to view the Socratic and "de Bono" methods as rivals. Imagine the chaos if we had to lay out all the possibilities in parallel and design a way forward. For the vast majority of our thoughts our accustomed machinery suits us well, making it possible to get through the day at all. Certainly we should try to be less inflexible in our judgment, but Socrates would hardly have had a problem with that.

Lucy Kellaway

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ARTS

Entertaining road to hell

Martin Hoyle enjoys 'Don Giovanni' and 'Eugene Onegin' in Belfast

Nature, or rather town planning, has done Belfast's Grand Opera House no favours. Next to the headquarters of the Ulster Unionists and across the street from the Europa Hotel, the charming theatre has been the innocent bystander in more than one bomb incident aimed at its neighbours.

Last Friday opera returned to the theatre after postponement through bomb damage. Two Johns visited Belfast that day: Major, full of good intentions, and Mozart's lascivious Sevillian who took the less well-paved but more entertaining road to hell. *Don Giovanni* was played out in the unusually intimate splendour of a *fin-de-siècle* interior, at first glance a conventional Frank Matcham froth of gilt, cream and red, but with intriguing eastern decorative motifs: Moslem sages jostle

trumpet-playing cherubs on the ceiling, cartouches frame Hindu gods, and elephant-heads form the capitals of pillars.

This production is the result of co-operation between Opera North, Ireland and Bath and Wessex Opera. There were reportedly some technical hitches at the first night in the west of England, and in Belfast the odd off-stage crash and on-stage flash bespoke the occasional gremlin. But Roman Terlecky's production is as little and swift as its young cast. David Myerscough-Jones' set is dominated by a huge grille that parts, ringing changes on the basic theme of a closed-in society, with visual allusions ranging from Piranesi-like nightmare prisons to the *Marat-Sade* spectacle of panicky peasants clambering up the bars in an effort to escape the avengers in the ball scene.

To judge by both *Giovanni* and

the following night's *Eugene Onegin*, there is no shortage of good baritones today. The Danish Johannes Mannov was a plausible philanthropist and a stylish Mozartian: his honeyed opening of "La ci darem la mano" with the sweet-voiced Zerlina of Yvonne Barclay turned it into a real seduction. Eric Ashcraft's Ottavio was much less wimpish than usual, Christopher Purves' light-voiced baritone Leporello had the stage communicativeness expected from an ex-Wallbanger (as in Harvey and the ditto), John Hall's Commendatore was young and vigorous.

Musically Roy Goodman directed a fleet performance from the Ulster Orchestra. Most stylish of all was the Elvira of Elizabeth Gale, once a memorable Zerlina. There have been fuller voices in the role, but she knows what the character and Mozart are about.

If *Don Giovanni* was conventionally enjoyable, *Onegin* had much in it that reminded the English visitor of Proustian ideas from ENO's glory days. A little girl, Alice-like, wanders through the action: the child Tatyana was? The innocence that never quite died? Invisible, all-seeing, she firmly shuts a book over the grieving Onegin, as if the characters' destiny had been already decided in the past. Between scenes a wind whistles across the stage, dominated by the autumnal crimson of Virginia creeper. There may be a tendency to think of Pushkin's "lyric scenes" as anticipating Chekhov. However, only 49 hours after seeing a stage adaptation of *Emma* I was struck how much Tatyana and her circle had in common with Jane Austen's small, intensely-felt world of emotional ripening and developing moral awareness.

The later romanticism is all



Seductive voices: Elizabeth Gale and Johannes Mannov in 'Don Giovanni'

finely sung, intelligently acted. Melanie Armitstead's dignified bearing and veiled vocal quality were better with the grande dame than the impulsive girl. Mark Beudert, another American, provided Lensky with Italianate tone, after initially uncertain intonation. And made a handsome young poet. Kate McCahey, a glamorous Olga, Colette McGibbon's loving Larina and Enid Hartle's experienced Nurse filled the lesser roles from strength.

Robust playing for Kenneth Montgomery was seconded by the splendid ONI chorus, amazingly an amateur body. This recalls Welsh National Opera, originally built around an amateur chorus, but WNO was able to grow through the backup of English besides Welsh touring. Dreams of one central organisation providing opera for Belfast, Dublin and Cork are still "a political hot potato". Meanwhile ONI prepares a touring version of *Don Pasquale*, looks forward to *Edgar* and aspires to next year's double of *Bohème* and *Cunning Little Vixen*. As the company admits, Janáček is a box-office risk, but "it's the sort of opera that people can come to and fall in love with".

A lingering gaze into the well of loneliness

Alastair Macaulay on Hellman's theatrical exploration of lesbianism

How wonderful: a new production of an old play that - despite (or rather because of) the general excellence of its acting and staging - sends us out talking about the play itself. And how wonderful: at last, a play about homosexuality (after a million other plays about homosexuality we have seen this year) that is neither agitprop nor sentimental nor evasive. The play, Lillian Hellman's *The Children's Hour*, will be 60 years old this November, and Howard Davies's production makes us see that it works on three levels. On level one, it is about the unjust scandal caused by accusations of homosexuality among teachers - unjust because those accusations are unfounded. This is the level that almost any audience can take, and Hellman was able to bring it to the movie version, *These Three* (1936), for which she wrote the screenplay. Karen Wright (Harriet Walter) and Martha Dobie (Clare Higgins) are young women who run the school for girls they have founded. Mary (Emily Watson), a peculiarly evil 14-year-old, wrecks the school, to which her grandmother (Gillian Barge) has sent her, by accusing them of lesbianism. The accusations also blight the engagement of Karen Wright to the pleasant Dr Joe Cardin (William Gaminara).

On the second level, it is about the unjust scandal caused by homosexuality among teachers - unjust because homosexuality is not a crime or sin that should cause social ostracism, even when one of the teachers finally admits to, or discovers, homosexuality in her own thoughts. This is the level that could not be brought to the screen until 1962. Martha Dobie is the one who confesses lesbian desires. Feeling that she has brought ruin upon everyone, she shoots herself.

And on the third level, it is about the difficulties of repressing or

admitting homosexuality in oneself. This is the level that has seldom hitherto been seen as a major theme in *The Children's Hour*. Here, however, we not only see it in the character of Martha; we also see it, at any rate in potential, in Karen - who has been delaying the marriage, who finally sends Joe away, and who almost lets Martha kiss her "that way".

Later, when Martha is dead and when Mary's grandmother (not knowing of the death) comes to start righting the wrongs that she has done the two teachers, Karen has moved beyond the issues of right, wrong and injustice. And when she is then left alone, she mounts the stairs to the room where the dead Martha lies. It is at least possible that Karen means to join Martha in death; or that she wishes now at last to be united with her in desire. These are only possibilities, I stress. A contrary option is also possible: that Martha only thinks herself a lesbian and kills herself because of the intolerable pressure of the situation; and that Karen's final ascent of the stairs is simply her wish to repent her own homophobia.

The beauty of this production is not that it forces us to think wistfully, glib thoughts about the evils of repression, but that it brings these and other ambiguous interpretations to the surface. So much so that Hellman, as never before, seems to be kin to Henry James. In Mary's disturbing influence on her educators and other children, one thinks of the evil things known by the child Miles in *The Turn of the Screw* (and here Martha is also the victim of a turn-of-a-screw situation; in the triangle of Martha-Karen-Joe, one thinks of the Olive-Verena-Basil triangle in *The Bostonians*).

Let me not sound carried away. *The Children's Hour* is, on the whole a melodrama. Its first act is far too diffuse, and Martha's third



Tragedy of unjust scandal: Harriet Walter and Clare Higgins in 'The Children's Hour'

act revelation awkwardly sudden. But the play is given here, in almost all respects, with such fine fluctuations of tone and mood that it keeps going beyond melodrama; and Karen's final solitude - stressed in this production more than Hellman's stage directions suggest - approaches tragedy.

If I have left little space to praise the performances, I hope my praise

is already implicit. It is easier to cite the production's flaws. Jason Carr has provided film-type music to underline the big moments: can this please be cut? Some American accents have minor problems. Alison Fiske's account of the silly old aunt applies too much vocal caricature; Emily Watson does not suggest the most disturbing or most real aspects of Mary's evil and

spoilt nature. However, to watch Harriet Walter, Clare Higgins and Gillian Barge in their roles is a rare privilege. There are a thousand telling details in their performances, and all of them work together to make the stage world more absorbing.

In repertory at the Lyttelton Theatre, South Bank.

Off the Wall/Antony Thorncroft

British art set fair for revival

The organisers of the 20th Century British Art Fair, which opens at the Royal College of Art on Wednesday and runs until Sunday, have pulled in the Big One. London's leading modern art dealer, Leslie Waddington, has agreed to take part. He has withdrawn his pronouncement that London is artistically dead and will show works by Henry Moore, Peter Blake, David Hockney, and more.

His participation sums up a revivalist mood. The fair has grown to almost 50 exhibitors and concentrates on British art which shows 20th century progressiveness without lapsing into the conceptual avant-garde. Another important newcomer is the New Art Centre, with sculptures by Hepworth, including "Ascending Form (Gloria)" at \$300,000, Frink and Armitage.

The loan exhibition consists of paintings from the Financial Times collection. This is the first time works from the collection have been on public view.

The fair began in 1968, near the peak of the market, and was an instant success. One dealer sold a painting by S.J. Peopole, the Scottish Colourist, off his stand to a stranger for \$275,000. This year Duncan Miller is offering a very fine Peopole, indeed the largest he painted, "Interior with seated girl", for \$175,000.

Julian Hartnoll, who is showing "kitchen sink" artists like John Brathay, reckons that many prices are now only 50 per cent of the levels six years ago. Private collectors can now afford to buy again and anyone who dreamed of owning paintings by the likes of Wyndham Lewis, Carol Waeget, Patrick Heron, Stanley Spencer, Graham Sutherland, Ivon Hitchens, Augustus John, in fact all the established names of the century, should hurry along.

It is a dumb arts organisation which is not launching a re-building appeal in the hope of attracting National Lottery money. Most start their projects at 11 and then add a night, or two. So it is refreshing that Leighton House in Kensington, the home of the High Priest of Victorian art, Lord Leighton, is only seeking \$400,000.

It wants the money not to build, but to return to the past, to recreate the garden, the grand Arab Hall, and the artist's studio as they

might have looked on some mythical day in the 1880s. Lord Leighton has just popped out and you idly wait in his home. His easel, brushes and props are all in place in the studio, and you can just catch the conversation of his deserted supper guests, murmuring away round the dinner table. This is strictly heritage restored.

With Sir Andrew Lloyd Webber, a Leighton lover since his school days, heading the appeal, it stands a little chance of failing, and the house should be ready for even more visitors (it already gets 42,000 a year) by January 1995, when there is a big Leighton show at the RA to celebrate the centenary of his death.

It would be interesting to open

Prices are only 50 per cent of the levels six years ago

other artists studios in the neighbourhood. Val Prinsep, G.F. Watts, Marcus Stone, William Burges (with a particularly fine Pre-Raphaelite interior) and Luke Fydes, all lions in their late Victorian day, lived within pot throwing distance. Their homes are now occupied by such contemporary luminaries of the cultural scene as Led Zeppelin guitarist Jimmy Page and cinematic foodie Michael Winner.

Once again British programme makers have triumphed at the Prix Italia, Europe's oldest broadcasting festival. Standards among the 77 television programmes competing for the three prizes have been higher in 1994 than at any time in the past 50 years. Yet the BBC won the main prize for drama with *The Snapper*, Roddy Doyle's sharp but hilariously story about teenage pregnancy in a ramshackle Dublin family; and for music with *Strange Fish*, the television version of Lloyd Newson's remarkable modern ballet danced by the DV8 company. Furthermore, in the documentary category - the only one they did not win outright - the BBC won the special prize with *Black Oasises*. For *The Bridge*, a harrowing but undeniably original programme dealing with Alzheimer's disease. Prix Italia and special prizes are each worth 15m lire (\$8,000). Christopher Dunkley will report in full in Wednesday's television column.

The Mikado returns

English National Opera's all-time *Mikado* is one of the company's hardest productions. Wednesday's welcome performance marked the opening of its sixth run since

It was new in 1986 - David Ritch once again reviving Jonathan Miller's original - and everything in the Grand Bote setting came up shiny and slick. The cast, with one exception all returning to their

roles, is now more more confident than ever, though this inevitably means some loss of spontaneity. Still, most of it remains very funny, not least Ko-Ko's amazingly topical Little List, which now includes references to the Heeklers, Jeffrey Archer, Mrs Bobbitt, and Mr and Mrs Michael Jackson.

Indeed, Richard Suart's Pythonesque Ko-Ko, with his gallery of accents and twitches, remains the star of the show. Lesley Garrett's bubbly Yum-Yum - she sings a

sensuous "The sun whose rays" - and Bonaventura Botone's coy Nanki-Poo (whose lyrical slinging matches his twinkling characterisation) are not far behind in the show-stealing stakes. Anne Collins repeats her vengeful virago of a Katisha, Richard Angus his preening but absent-minded Mikado, Ian Caddy his Pooh-Bah, and Arwel Huw Morgan the plus-foured clergyman Pish-Tush. Completing the three little maids from St Trinians are Ethna Robinson (Piti-Sing) and - new to the cast - Mary Plazas (Peep-Bo).

Sian Edwards, who has raised critical eyebrows for her seemingly arms-length musical directorship of the company, here maintained a firm grip on the score. She let the music sparkle, kept ensemble tight, and most importantly, since ENO's resolve on the language issue seems set to waver, allowed us to hear almost every word. There are only five further performances of *The Mikado* this season, not to be missed.

John Allison

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Jazz/Garry Booth

A label for success

Manfred Eicher, founder/producer of the Munich record label ECM, is not the sort of person to celebrate a 25th anniversary with boxed set compilations or retrospectives. Never one to respond to the commercial mores which preoccupy others in the music business, Eicher even claims not to pay any real attention to how well his recordings sell. An autocratic and idiosyncratic individual who controls every aspect of each recording, he says that to him, "popularity and appreciation is a side benefit, almost".

Started by Eicher as a jazz label in 1969, Editions of Contemporary Music has become home to hugely successful artists as well as harder-to-classify fringe intrumentalists. Helped in large part by the runaway success of American pianist Keith Jarrett's 1975 live recording, *The Köln Concert* which has sold two and a half million copies, more than any other solo piano work, Eicher can afford to record with less commercial artists. In between refined jazz masters such as John Abercrombie, Dave Holland and Paul Motian, the ECM catalogue lists the diverse sounds of cellist David Darling, violinist Shankar and the African drums of the Moire Orchestra among others.

This mix of reliable sellers

and "outside" improvisation is constantly renewed. The immensely popular Norwegian saxophonist Jan Garbarek records for Eicher as does the successful "new" classical composer, Estonian Arvo Pärt. But so does Heiner Goebbels, whose latest CD has the citizens of Boston receding Edgar Allen Poe's *Landscape with Argonauts* on the sidewalk. In *Twilight Fields* Stephen Micus alternates between flower pots, a Bavarian aither and something called a "nay".

Eicher has produced virtually every one of the company's 450 recordings and though he disavows the idea, it shows. A wilfully solitary person outside the studio, Eicher cites film makers Godard, Tarkovsky and Bergman as his influences inside it. He is attracted by the bleak beauty of northern Europe and always records in the same Oslo studio. This aesthetic taste is carried through to the mixing desk.

If there is such a thing as the ECM sound, it is characterised by judicious use of reverb and the stark clarity of each instrument's voicings. Detractors say it is old; someone once described it as the most beautiful sound next to silence. Explaining his studio technique, Eicher, who is himself a conservatory trained violinist, says bluntly: "I seek only austerity and discipline. I do not impose a 'sound'; the direction comes from the music itself."

In the ECM New Series, which concentrates on composers from Thomas Tallis to Steve Reich, Eicher says he has tried to bring some of the spontaneity and dialectic of jazz to written work. Pärt's compositions, which Eicher describes as "the music of slowly beating wings," (*Misere* in 1981 and *Tabula Rasa* in 1984) have continued to sell especially well. Now Eicher seems set for another success, this time with an unlikely experiment in early music.

Eicher's latest offering, *Officium* (ECM New Series 1525 445 385-2), sets Garbarek's distinctive yearning saxophone sound across the hymnal early music of a vocal quartet, the Hilliard Ensemble. Compositions on the album are from the 13th to 15th centuries and explore chants, early polyphony and Renaissance motets. After some initial confusion over its proper category, *Officium* has entered the classic FM chart at number two and now promises to be as big a hit with the people who bought into monks chanting as it is with confirmed ECM aficionados.

Garbarek and the Hilliard tour Europe next month.

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William Packer lambasts the judges of the new Jerwood Prize for their unadventurous choice

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FASHION

Off-the-cuff tales of men's shirts

Avril Groom considers the vexed question of choosing the correct shirt

Shirts are subject to the subtle whims and codes which groups of men devise to make themselves distinctive.

According to Sir Hardy Amies, writing in his book *The Englishman's Suit*, the shirt is now "the fashionable, status-enhancing garment" for men. Yet a surprisingly large number of British men apparently let their wives buy their shirts for them.

Research by Van Heusen, which aims to overturn its staid image this autumn, with a new range including both traditionally-made City-style shirts and modern, more relaxed designs, divides shirt-buying neatly into thirds.

Some 34 per cent of all men's shirts, it found, are bought by women. Another 34 per cent are bought with a woman's consent, or at least with her approval. The rest are bought by men alone, for reasons of speed, getting a better fit or, most tellingly, not wanting to be pushed into something unsuitably trendy.

Men who shop alone are particularly about detail and more likely to buy the 3 per cent of shirts which cost more than £45.

More than half of the shirts purchased in the UK cost between £15 and £30 with Marks and Spencer alone accounting for one-fifth of the market.

Chain and department stores are more likely to be the haunt of the shirt-buying woman, probably while she also shops for herself. A man is more likely to go to a specialist or designer shop.

A straw poll of professional men with a sharp eye for a good shirt, showed only a minority who sought their partner's advice, let alone expected her to buy their shirts. But the men come in two very distinct categories: the traditionalist and the trend follower.

The traditionalist shops when his old shirts wear out. He goes for good two-fold cotton and quality details. Once he finds a suitable source he sticks with it.

This includes mail order sources, as upmarket brochures from companies such as James Meade or Boden testify. In this case, wives often make the final choice and order.

James Meade (tel: 0264-333222 for brochures) estimates that 20 per cent of its sales are by this method and Johnnie Boden reckons "togetherness" is a plus for mail order, less stressful than shopping *à deux*.

The trend-follower, on the other hand, is aware of labels and fashion conscious. He is likely to spend time window-shopping and retires his working shirts as painting smocks, not because they are worn out but because he has gone off them. He is likely to work in a less conservative profession and is adept at bringing individuality to the suit-shirt-tie uniform.

Both groups demand style and lasting value, and their main gripe about cheaper shirts is their limpness after a number of washes.

The debate about easy-care cotton and fused collars (where the interfacing is ironed on to the collar fabric which makes ironing easier but may eventually distort the smooth line - Van Heusen fuses, Thomas Pink and Boden do not) is a sideline as few shirt enthusiasts launder at home.

Small changes do not go unnoticed - traditionalists admit that the appearance of an unusual collar shape or shirt colour in the office still causes comment. Even the trends followed by the fashion-conscious point to classic looks - subtle checks, textured self-coloured weaves, button-down collars.

In the world of the working shirt, tiny changes can be talking points. Because men now work jacketless, Van Heusen puts a pocket for pens even on his most traditional, double-cuffed shirt. Some men love it, others feel a plain front looks more professional. But there is, as Daniel White, the company's marketing executive, says, "a loosening up, a move towards individuality."

"The 1970s were the great shirt years with a huge variety of shapes and patterns. The 1980s boom brought a uniform - power stripes and double cuffs. Now people want a more personal touch but it should be subtly done."

To test the thesis, we record the views of four keen shirt buyers, none of whom owns fewer than 30. Each clearly belongs to his own, mutually-recognisable club.

Photographer: Brendan Carr



Dean Marsh wearing a red and white check cotton shirt, £52, tweed suit, £265, tie, £36, from Cordings, Piccadilly, SW1

Dean Marsh, music business solicitor with David Wineman: "Because my clients are unconventional I get away with more than most lawyers. I like a stylish but informal, faintly Italian look. I have several suits by Oswald Boateng and this green tweed one from Cordings, a shop so traditional it has become trendy."

"My problem was how to stop the suit looking too

countrified - I always buy clothes with the overall effect in mind. My girlfriend's sense of style helped choose the shirt. Checks are slightly informal but red is a town colour and the traditional collar and double cuffs are smart. If I go for a drink with clients, this outfit is acceptable in some clubs where a straight City suit would not be. But I wouldn't wear it in court."



John Rink is wearing a green striped cotton double-cuff shirt, £42.50 from Thomas Pink, Blomfield Street, London EC2 and Jermyn Street, London SW1 and branches with a silk tie from Haines

John Rink, managing partner at Allan and Overy, City solicitors: "I shop for myself because I know what I want and my wife, who works, has no time. I go to specialist shops such as Thomas Pink where I would expect the fabric, finish, length and so on to be to the standard I require. Quality is more important than price. My usual style is double-cuffed with a partly cut-away collar,

in really good, striped cotton and a comfortable fit without bagginess. This gives the professional look clients expect and looks smart in the office without a jacket. I don't attempt to be fashionable but ties can make a statement. My shirts last well and are professionally ironed. I restock when they wear out, or at sales. Shopping in the City is convenient."



Alan Wilkinson-Marten in a button-down shirt in bleached cotton twill by Van Heusen, £37 from Selkridges, Oxford Street, W1, Fenwick, New Bond Street, W1, Andrew Houston of Carisle and Watson Pricard of Liverpool

Alan Wilkinson-Marten, architect, associate at Norman Foster and Partners: "I buy for myself because I'm single but anyway I love browsing in the Kings Road and Covent Garden."

"Quality and style are important. A shirt should be very simple - easy-fitting, finely-stitched in good cotton with interesting buttons. As I like plain white shirts, these details are important. I pay more to get the right design. Adolfo Dominguez is my

favourite but I like the very subtle patterns and good make-for-price of the new Van Heusen range. "I work with sleeves rolled up so double cuffs are not on. Jacket and tie are not necessary in the office but for outside meetings a shirt must look good under an unstructured, Italian suit. For work in the Far East, a white shirt and jacket is the convention. I take cheap, short-sleeved ones but they don't last long."



Nick Straker in a rich cream cotton poplin double-cuff shirt, £38, woven silk tie, £36 both from Boden, 081-984 2862 for brochure

Nick Straker, stockbroker with Morgan Stanley: "I go to work very early and often dress in the dark. So I choose plain shirts which won't clash with whatever tie I've picked

up. My suits, which are tailor-made, are mostly plain and single-breasted. I avoid City fads like really baggy suits or bright pink shirts, though there is now an

interesting trend towards pale yellow. I like long shirts with plenty of tuck-in and room under the arms. Double cuffs look smart, with plain collars - working for an American

firm I consciously don't adopt the preppy, button-down look. I shop for myself but I also like mail order. I discovered Boden do extra long fittings and I have arms like a gibbon.

Their shirts are high-quality traditional and I enjoy receiving parcels. My wife occasionally buys me a shirt. She is more adventurous."

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HOW TO SPEND IT

Italians add style to vibrant streets of London

Lucia van der Post finds that business is booming and that upmarket foreign companies are flocking to England



The official news is confusing - retail spending down, interest rates rumoured to be rising, the stock market falling - but no-one seems to have told the shoppers on the choicer streets of London. They seem to be responding to an entirely different beat. There is an infectious sense of optimism about. New shops are opening all over town. In certain stores some of the winter lines have completely sold out and the end of September is only just in sight. So what exactly is going on?

What seems to be happening is that there are pockets of great prosperity and success. Those who realised that there was more to the last recession than just the fact that many of us had less to spend, that there had been a sea-change in the way most of us viewed the world, and addressed that shift in perception seriously, are beginning to reap the rewards. The key to success in the 1990s seems to be value for money - the absolute price scarcely seems to matter. High price-tags can move as fast as low ones provided they are perceived to offer real value.

All over town, restaurants that get the formula right (Joe Allen, The Ivy, Christopher's, Aubergine) are packed out, clothing lines that have a certain pizzazz as well as attractive prices are sold out, everywhere the special, the out-of-the-way, the quality

ranges are doing well. Get it wrong and you might as well send straight out for Cork Gully.

Much of the newly buzzing atmosphere has to do with the fact that the big department stores are falling over themselves to tempt the customers in - revamped buildings, personal shopping suites, free coffee and newspapers for the gold card set, new lines, special offers, exclusive ranges.

Harrods, Selfridges, Debenhams & Jones, Liberty, Harvey Nichols are engaged in a bitter struggle for our hearts and purses and there is nothing like competition for improving the quality of the end product. New deals are being struck, exotic designers wooed, adventurous services broached.

And it is not just the department stores - all along Bond Street the buildings are busy, the shops are full, once dead Madam shops are being replaced by livelier, more contemporary, sharper names.

The scene is also being enlivened by an influx of foreigners casting a concerted vote of confidence in London's importance as a sophisticated centre of shopping and bringing more than a touch of European brio to the scene.

The last few weeks have seen a non-stop celebration of Italian style - from the haute sophistication of the menswear lines of Ermenegildo Zegna and the fastidiously refined stationery of Pineider to the eminently wearable ranges of Genny's womenswear and the streamlined artefacts of Bugatti.

Some of the names will already be known to you, some have had a small presence in London for some time but now that they have tested the water are encouraged to plunge in deeper while others, such as Pineider and the new Bugatti range, are complete newcomers. Here, then, on this page is a taste of what some of them have to offer.



The Genny look for winter: short wrap A-line skirt in grey marled tweed, £145 with matching short gilet, £275 and longer black wool gilet, £430. Underneath is a fine black polo-necked body, £205 and the boots are £215.

Genny is an Italian label that does not have the high profile of a Versace or an Armani but has become a favourite with many a busy, working woman as well as with some of the more lively glitterati of the Italian social scene. Monica Vitti, Princess Pignatelli and Isabella Rossellini are just a few of Genny's fans.

For some time a small selection from the line has been available at Browns of

South Molton Street and at Harrods but this week Browns has given Genny a separate shop at 18, South Molton Street, London W1 where a much broader range of Genny can be seen.

Besides her beautifully soft and understated suits for day which many a working woman adopts with a sigh of relief there are some delicious pieces for the evening - simple empire-line velvet dresses

(around £400) and some flirty double-layered chiffon numbers in chocolate brown or black (£800).

The hallmark of her collection is its simplicity and a new-found softness - many of the pieces are ageless and could become the main prop around which a wardrobe could be built.

The picture, above, perfectly sums up this winter's day-time look.



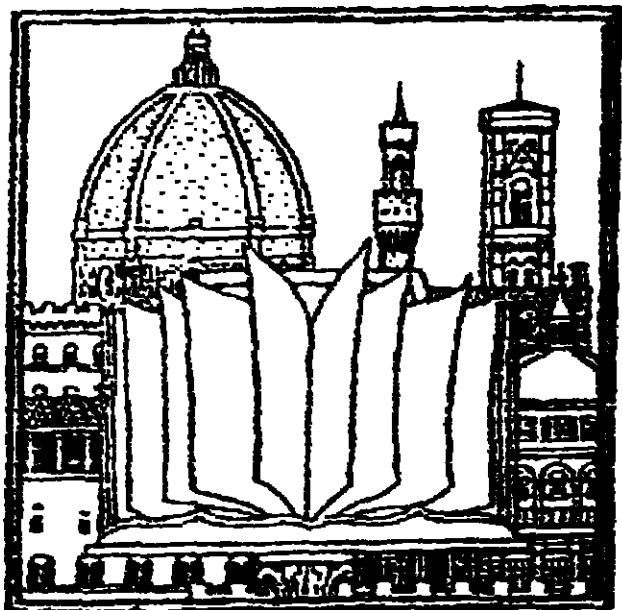
Zegna style: Checked waistcoat, from a large selection, starting at £115; cashmere tie, £70; cashmere scarf, £125; two front-pleat cotton trousers, £125 and cashmere and linen mix shirt to order

ERMENEGILDO ZEGNA, the Italian menswear company, has for some years had a seriously sophisticated shop in Bond Street purveying its own high quality menswear. This week it opens another shop in Covent Garden (42, Shelton Street, London WC2) with the younger, slightly less formal man in mind. While the Bond Street shop concentrates on the more structured, "sartorial" lines, in Covent

Garden there is a beautifully relaxed line of what Zegna calls its "soft collection".

Zegna defines soft as "wearing pants in cotton or Donegal, mixing them with a nonchalant, easy checked or windowpane jackets" or soft could be an "updated jacket, unstructured with lowered shoulders and shirt sleeves." The picture above shows exactly what "soft" is all about - that Italian gift for

combining garments to create an air of understated chic. It has nothing to do with skimping on quality. All the fabrics are designed and manufactured by Zegna. It has everything to do with attitude, with wanting to wear more relaxed, more comfortable clothes. Aiming at the younger man, the new shop will have slightly lower prices - wool suits will average about £550, jackets start at £395.



An early bookplate from the Florentine stationer Pineider

IN ITALY, a country renowned for its paper and stationery, Pineider is the most distinguished name of all. No young person *de buona famiglia* is launched upon the world without a set of beautifully engraved visiting cards, each one interleaved with tissue paper, from Pineider. In good bourgeois and aristocratic homes a leather-bound visitors' book from Pineider sits upon a console table. The Pope has bought all the Papal stationery from Pineider almost since the very beginning (1774).

Pineider was started in Florence, an essential stopping-off point in the Grand Tour. In those pre-telephonic days fine writing paper, inks and pens, mattered. People of distinction bought them at Pineider.

Most of the range can be seen and bought at The Mirabilia Italiae at 16 Royal Arcade, Old Bond Street, London W1 - look for the beautiful visitors' books, the photographic albums, the stationery, the cards. The famous engraving service will start in about a fortnight.



Silk scarf with classic Bugatti motif, £125

BUGATTI is one of those names that resonates through the years even for those who have never seen one of the legendary cars. Bugatti, we all know, stands for class, for cars that are the stuff of dreams.

Though it is well over 100 years since the Bugatti story first began, it was only three years ago that the family decided to create a range of products that would draw on the impeccable image and standing that Bugatti had throughout the world.

The earlier generation of Bugattis were astonishing designers. Father Carlo turned out hundreds of drawings for everything from furniture to silver and glass, while Ettore, who designed the unforgettable cars, also turned his hand to ships, aeroplanes and trains. With this rich archive to draw on the family decided to open a design studio in Ora, near Bolzano in Italy, and begin a modern, rejuvenated launching of

Bugatti products. Almost everything the Bugattis do is linked, however tenuously, with the romance and glamour of motoring, harking back to its golden days. Luxurious wraps of cashmere backed with soft suede are perfect for keeping delicate bones warm whilst driving in an open-topped car.

Soft suede motoring trousers have subtle extra curving seams which can be let out so that there is plenty of room for the knees to bend and the trousers retain their shape. There are warm gilets, of soft suede or leather, exquisitely made, which by virtue of skillfully placed zips also double up (yes, seriously) as shopping bags or knapsacks. There is a beautifully designed shootingstick-cum-umbrella and, of course, obligatory motoring accessories such as sun-glasses (Zeiss lenses in anti-glare tempered crystal and flexible hinges - all very

sleek), watches (Ettore Bugatti used to present watches to his victorious drivers), pens and leather goods.

The Bugatti hand-bag is one of the few long-established products. Ettore Bugatti designed it for his wife, it was made for him by Hermès and has been a classic ever since. At the new Bugatti shop the basic design is untouched but two-tone versions in racing colours, for instance, can be ordered. The locks are in the shape of the car radiator.

This may read like the stuff of every would-be luxury goods house but the quality and the attention to detail is exceptional. Leather notebooks, wallets and albums, for instance, have beautifully hinged covers so that the leather does not wear out. Metals are carefully worked, fabrics the finest possible. Prices, of course, are not low - the cashmere and suede rugs are £1,600, the Bugatti bag starts at £808 but



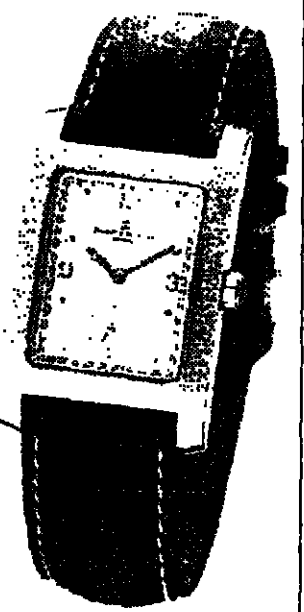
Bugatti handbag, designed by Ettore Bugatti for his wife in the 1920s

silk ties enlivened with motifs of old cars are just £48. The new Bugatti shop is at 20 Beauchamp Place, London SW3 and - for serious collectors of special cars - the first new Bugatti car designed since 1952 is available (for £285,000) from the Bugatti showroom at 49/51 Cheval Place, London SW7.

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FOOD AND DRINK

Broking bread, 90s style

How the customer forms his or her first - and perhaps most lasting - impression of a restaurant is a question which all chefs must address.

The key criterion for me is the bread. Invariably, if the restaurant offers good bread, the rest of the meal will be a pleasure.

Yet, like all the seemingly simple things in life, offering fresh, appetising bread twice a day presents chefs with one of their biggest challenges. A challenge that incorporates culinary skills, logistics, timing and cost appraisal.

At a busy restaurant, such as The Greenhouse in West London, the annual bread bill is £25,000, an outlay which does not generate any obvious profit. Supplying bread to restaurants is a highly competitive business in which suppliers are judged by the quality of the last delivery.

Ideally, all chefs would like to bake their own bread but, aside from a shortage of skilled bakers, bread-making requires kitchen space and time. The dough has to be mixed, rested, proved, moulded and developed before being cut,

baked and rested again. To be ready for the lunch service this work must start at 7am and be repeated again in the late morning for the dinner service.

In south London, Gordon Ramsay, the chef at Aubergine, Park Walk, London SW10, has decided that he will bake his own bread, some 160 rolls a day, and is already aware of one of the pitfalls - that the staff might eat it before it even reaches the restaurant customers.

Other chefs who bake their own include: Pierre Hoffman, at La Tante Claire, in Royal Hospital Road, London SW3; Sally Clarke, of Clarke's in Kensington Church Street, London W8, who now has a separate bakery in Notting Hill Gate; and Michel Roux, at The Waterside Inn, Bray, Berkshire.

Until the early 1990s chefs had two other possible sources of bread. The first was to deal directly with a commercial bakery and the second

to buy in partly-cooked bread.

But, however good the quality, it does mean that the first food a customer eats is made outside the restaurant. And because there is usually only one delivery, bread that has been made at 5am and delivered at 7am will be offered as late

brokers".

It was founded by Gail Stephens, who grew up in Israel, trained in catering at Westminster College and went on to cook at the Garrick Club, in Covent Garden, London.

A chance encounter at a food exhibition in Wembley, north Lon-

Stephens' day begins at 3.15am so that she can meet her drivers at Park Royal, in west London, at 4am. All the orders for the various breads are then made up. Traditional Italian breads, *pugliese*, *ciabatta* and *grissini* are boxed alongside English farmhouse loaves,

such as Riva, in Church Road, Barnes and Randall & Aubin, in Soho.

Stephens' comments on her work are succinct. "It's a crazy business. Most of our customers are in central London but rents and rates there are prohibitive. We have to work on the periphery and organise our deliveries as best we can. Every half hour lost at the beginning of the day results in 1½ hours delay at the end of the morning."

"Every chef wants their bread delivered at the same time, never later than 7am, and they all want the best quality at the lowest price. I can offer a delivery of a second bake in the afternoon but that is no guarantee that I will keep the business."

"One late afternoon Quaglino's needed 500 rolls and I drove through London with them straight out of the oven. There was so much steam that I had to roll the win-

dows down to see where I was going. Quaglino's got their bread but shortly afterwards I lost their account."

Stephens believes that the "bread revolution" which Britain has undergone over the past five years will continue and the only way forward is to pursue quality.

She has now invested in the baking skills of Philippe Dade and his new bakery, The Bread Factory, in Stanmore, Middlesex, which will bake three times a day, at 4.30am, 9.30am and 3pm, and whose rolls are already gracing the tables of the Ritz and the Inn on the Park in central London.

In spite of all the inherent problems Stephens is delighted to be dealing with a product that is so fundamental to the enjoyment of a good meal and our general well-being. She would like to see a baker's skills more widely appreciated, to be able to operate on bigger margins herself and find the one supplier missing from her price list - someone who makes particularly good doughnuts.

■ Gail Force, 336 West End Lane, London NW6 1LN. Tel: 071-431 5469, fax 071-431 6725.

Where there's a product, there's a market - and our daily bread is no exception, says Nicholas Lander

as 10pm to a customer.

To some extent the problem can be solved by using part-baked rolls and breads which are pre-cooked and warmed immediately before serving. But these rolls are bulky and present considerable storage difficulties for a small kitchen.

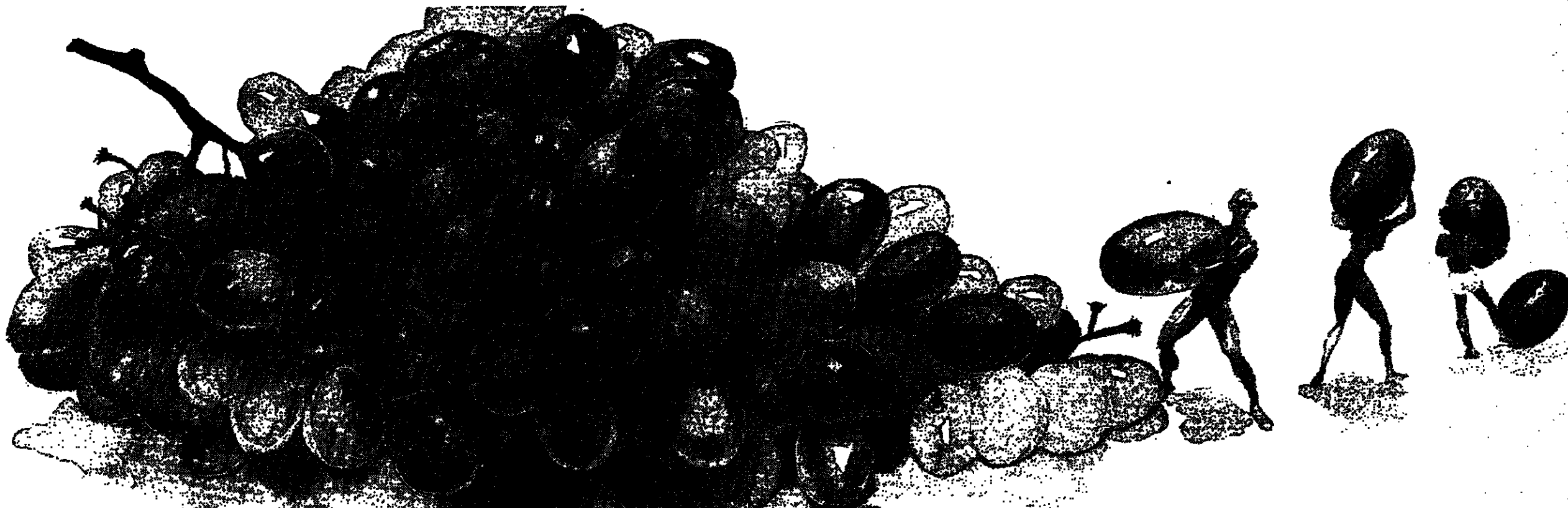
A new option for chefs presented itself in 1990 with the formation of Gail Force, London's first "bread

don, with a specialist baker who was unable to supply all the interested outlets, led Stephens to realise that there was a market waiting to be established: uniting London's small new bakeries with the increasing number of chefs and delicatessens who wanted to offer high-quality freshly-baked breads.

To make this market requires expertise and dedication.

while French *ficelles*, *baguettes* and *boules de campagne* nestle next to Jewish *challahs*.

The best, from the ovens of Baking, in Coburg Road, London N22, Neal's Yard, in Covent Garden and Beverley Hills Bakery, Brompton Road, London SW3, which makes American muffins, are then on their way to the tables of the capital's restaurants and delicatessens,



Grapes are a best buy in Britain just now, and best of all are the sort called Italia. They can be black or white and many countries now send supplies to the UK but, for my money, only white Italia grapes from Italy are truly enticing. The fruit from other sources never seems half so plump, muscat-sweet and fragrant.

While the season lasts, I am happy to eat these grapes round the clock. For breakfast, I will tuck into a bunch on its own, or have and seed a handful of the fruit to add to a bowl of yoghurt, together with a few almonds and perhaps a drizzle of honey.

For lunch, what could be better than a hot, lightly-curried chicken or fish broth aromatised with lemon grass, poured over a spoonful or two of steamed rice, and finished with a floating garnish of soured cream crowned with a few peel-

-ed grapes for a cool and silky contrast.

One of my favourite salads at this season combines grapes with prawns, the latter seasoned with toasted and ground coriander seed and torn basil leaves and laid on a bed of shredded Little Gem lettuce. Also excellent is a salad of creamy, mildly tangy goat's cheese with cos, Italia grapes and toasted pine kernels.

In France, a typical *bonne bouche* of the grape-picking season consists of chicken livers sautéed and tossed

with a few peeled and pipped grapes, warmed in butter with a splash of wine and served on soft rounds of toast.

Delicious for a snack lunch or as a fairly substantial appetiser at dinner.

Those who prefer fresh fruit and compotes to puddings proper may share my enthusiasm for an end of summer fruit salad made simply with sliced bananas, halved and seeded grapes, plus plenty of freshly scooped melon balls dressed in a light lemon or lime syrup infused

with a couple of sprigs of mint.

VENDANGE CHICKEN (serves 6)

Soothing and pure, this is a practical choice for a small party as most of the work can be done ahead. But be sure to re-heat the chicken only briefly, as described. That way, the meat will remain succulent and fresh. Prolonged re-heating always risks over-cooking poultry, making it stringy and dull.

The chicken poaching liquor is reused here to produce a copious quantity of intensely flavoured

sauce. Make the most of it by serving the bird in a generous ring of rice that will soak up every drop.

Ingredients: a high-quality roasting chicken weighing about 4 lb; 6 oz white wine; 2 glasses dry white wine; a bunch of fresh tarragon; ¼ pt double cream; 1 oz butter; 1 oz plain white household flour.

Wash the chicken and put it into a flame-proof pot, preferably oval, which will hold it snugly. Pour on enough hot, not boiling, unsalted water to cover the thickest part of

the thighs. There is no need to immerse the breast. Cover tightly and poach gently for 50-60 minutes.

Transfer the covered pot to a sink containing enough cold water and ice cubes to come halfway or more up the sides of the pot. Leave the pot in the sink for about three hours, replenishing the cold water and ice cubes from time to time to speed the cooling process.

When the chicken is cold, strip off and discard the skin. Lift the flesh from the bones, wrap it in greaseproof paper to keep it moist and

refrigerate it. De-grease the cooking liquor, return the bones to the pot, half cover and simmer until reduced to 1-1½ pt intensely chickeny stock. Season, chill and de-grease again. (Do everything up to this stage the day before serving.)

Boil the wine until reduced by half, then mix it with enough stock to make about 1½ pt in all. Make a sauce with the butter, flour, stock and wine mixture, with cream and seasonings to taste. Cover to prevent a skin forming and set aside. Cut the chicken into bite-size, quill-shaped pieces. Have and seed the grapes; peel them if you wish. Chop some tarragon.

Shortly before serving, bring the sauce back to simmering point. Add the chicken, cover, and simmer very gently for eight-10 minutes. Stir in the grapes and tarragon. Switch off the heat, cover and leave to stand for five minutes. Check seasoning, pile into a ring of boiled rice, and decorate with tarragon.

Cookery

In the grip of the grapes

They're at their best just now, says Philippa Davenport - and the luscious Italia variety is best of all

Liqueurs/Giles MacDonogh

Give me a Hot Monk

Tastes change. In the late 19th century sweet liqueurs were all the rage. It was a time when the idle rich drank themselves to death on powerful, sugary brews such as green Chartreuse or Benedictine.

In the German painter George Grosz's autobiography we learn that even the inhabitants of Pomerania Stolp, now Polish Slupsk, could, for as little as a mark, obtain powders which transformed crude schnapps into Chartreuse or Benedictine. Later as an art student in Dresden Grosz met a dreamy former schoolmaster who introduced him to *Klosterlikör*, which looked like "thick, yellow glue" and tasted like a blend of brandy and syrup.

The not-bellied bottle's colourful label and imitative seal

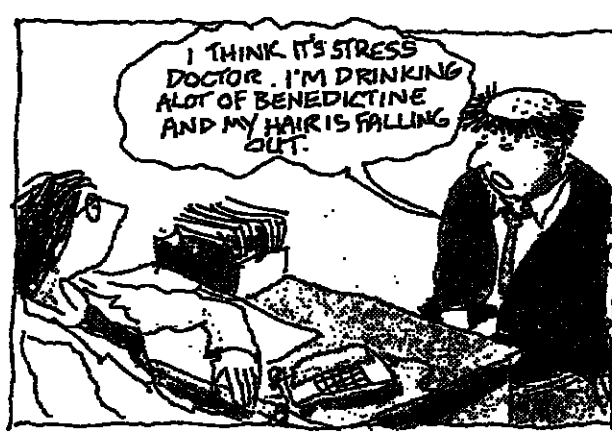
gave the impression that it had been culled from some monastery or other. "The image of a fat, chummy monk drank our health."

If the number of imitations is anything to go by then Benedictine must have been one of the most popular drinks in the world on the eve of the first world war. In the Palais Bénédicte, in Fécamp, northern France, there is a vast pyramid composed simply of counterfeit bottles drawn from every corner of the globe. I presume that somewhere in that heap is the bottle which Grosz enjoyed in his art school days while he put the world to rights with his friend.

Benedictine was the bright idea of a Norman wine merchant called Alexander Le Grand. He came across the recipe for a monastic elixir apparently invented by a Venetian monk at Fécamp Abbey in the early 16th century. Le Grand reworked the recipe giving it that sweet, viscous quality which was the most memorable aspect of German imitations.

In 1863 he launched Benedictine. It was an overnight success. Three years later he founded a public company to sell the liqueur. In 1881 it was quoted on the Paris bourse.

By the turn of the century Le Grand had made such tremendous big profits that his humble house had metamorphosed into a little Chateau, stuffed to the oesophagus with works of art harking back to the age of those self-same monks who had contributed so



unwittingly to his fortune.

Ne'er-do-well sons and French succession laws wrought the usual havoc. Benedictine was eventually bought by Martini Vermouth which was, in its turn, swallowed up by Bacardi rum.

The drink, we are told, is made from 27 different herbs and

Giles MacDonogh rediscovers the joys of a sticky winter drink

spices: aloes, ambrette (a sort of amber-like hibiscus derivative), angelica, apricot kernels, anise, maidenhair fern, melissa, cardamom, cinnamon, cloves, coriander, hyssop, juniper, lemon peel, myrrh, nutmeg, pine kernels, saffron, tea, thyme and vanilla.

From these wonderful ingredients a number of distillates and flavoured alcohols are made which are subsequently assembled together with syrup and honey (to give it the sweetness) and saffron and caramel (to give it colour). The brew is then heated and aged in cask. It takes about two years to make a bottle of Benedictine.

Few people like the taste of neat Benedictine these days. It is a little like drinking liquid gingerbread. In America the most popular way of consuming the liqueur is with brandy (a B and B) and the company now bottles a ready-mixed version which accounts for a large percentage of sales in the US. The brandy goes some way towards cutting the sweetness of the Benedictine.

Benedictine also combines well in cocktails. One of the more successful long drinks I tried in the bar of the Palais Bénédicte was with a good slug of Benedictine combined with half orange and half grapefruit juice.

Benedictine is apparently popular in some parts of Lancashire where it is drunk with hot water in a drink called "Benny and Hot". Sometime during the first world war a Lancastrian regiment was removed from the Western Front and sent to recuperate near Fécamp and this curious brew was born. Better, I think, is a Hot Monk which involves pouring hot lemon juice over Benedictine in the manner of a toddy. Best of all, I've found, is a Scotch Benny: a blend of 50 per cent Benedictine with 50 per cent blended Scotch whisky. It is the perfect winter warmer.

Appetisers

Fine Pinot Noir at £4.99

Not long ago 'affordable Pinot Noir' was rightly regarded as an oxymoron. Today it is quite possible to find charming, fruity, if relatively lightweight, Pinots from California for less than £5.

Oddbins has done more than most to track them down and its Havenscourt Pinot Noir at £4.99 has considerably more interest (and less obvious sweetening) than most.

But now they can also find a fine Pinot Noir at the same price from Chile, previously terra incognita as a source of delicate Pinot fruit. Hearty congratulations on Cono Sur Pinot Noir at £4.99 which shows all of the jewel-like appeal of simple young Pinot.

The Reserve version is £5.99 and is also stocked by Tanners, of Shrewsbury, Shropshire, but at the moment the cheaper wine is the more charming. (I assumed that Cono Sur was a pun, which only goes to show my ignorance of Spanish: it means 'southern cone' apparently.)

growing is provided by the first issue of *Tandoori*, a magazine for the 7,500 Indian restaurants in Great Britain. It is now estimated that there are more Indian restaurants in the UK than in Bombay or Delhi.

The magazine, founded by Karam Bilmoria, who established the successful Cobra Indian beer brand in the UK and its editor, Iqbal Wahhab, who set up East West Communications, to promote the growth of ethnic foods, includes features on how to market a tandoori restaurant and how Bangladeshi cuisine may develop in the UK.

The publishers will no doubt be hoping to emulate the success of Patak, a company which makes Indian spices in Wigan, Lancashire and was named by *Marketing* magazine as the fastest growing brand in the UK last year with a 92 per cent growth in retail sales.

Nicholas Lander



tuscans, of which Il Pergole Torte is a star at £21.74 while Oddbins Fine Wine Shops have fallen in love with Rocca Albino's 1991 Piedmont range, including two stunningly seductive Barbaresco, Vigneto Loreto at £12.99 and Vigneto Brich Ronchi at £13.99. JR

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SECTION III

A SPECIAL SUPPLEMENT

So you want to live in the best place in town, money no object. What would you choose and why? Freed from any financial constraints, FT correspondents around the world had no problem in letting their imaginations roam in search of that perfect property

Simply the best, better than all the rest

Somewhere in the world is the perfect home. If you had your pick of the best properties in major cities what would you select? A mansion? A penthouse? A riverside palace? We asked FT correspondents to let their dreams run riot...

LONDON
The best flat in London only partly exists, writes Gerald Cadogan. Even so, it costs £16m, which buys a two-floor penthouse newly-built on top of Fountain House, a handsome 1980s apartment block next to the Grosvenor House Hotel on Park Lane in Mayfair.

The flat has superb views, especially westwards over Hyde Park, the Serpentine and the Albert Memorial, which from up top looks like a rocket about to set off from Cape Canaveral.

Grosvenor House is across Mount Street to the north. On the east and south the immediate views are over the late 19th century red brick and white stone mansions of Mayfair, which are becoming smarter every day as they return from office to residential.

Skips and scaffolding cram the streets now, but enough has already been refurbished to show how classy the resurrected Mayfair will be.

In this superb position, in the heart of London, the penthouse occupies the whole of the top of the building. Some £15m buys a shell of 15,500 sq ft, basement parking for 12 cars, and an express lift to get to them, and nothing more.

There is still the cost of fitting out this huge space, 116 times the size of even the larger Mayfair mansions, and deciding where to put the partition walls. The top floor has mansard roof - a Parisian arch on a mega-scale, fit for a Mayfair lady.

WA Ellis (071-581 7654) and Wetherell (071-493 6936) are joint sole agents for a 250-year lease. If the penthouse does not sell as whole, they will offer it as four units. But I cannot see how some person of



Some £15m could buy you this view, from the ultimate in office, over London's Mayfair. Of course, there is still the cost of fitting out this penthouse since the £15m just buys the 15,500 sq ft shell...

wealth could let this opportunity slip by.

NEW YORK

A morning stroll down Central Park South reveals something important about living in a vertical city like New York, thinks Frank McGurty. On the north side, the grassy verges along the edge of the park are dotted with slumbering forms twisted into unnatural positions by the indignities of life on the streets.

Across the way, majestic apartment towers rise out of the pavement like genteel citadels against the travails below. Here, the wealthiest New Yorkers reconcile their need for comfort and security with their intense desire to be enveloped by the city's richness and vitality.

Alice Tully, a renowned patron of the arts and a generous benefactor of the needy, was one of the most successful at achieving this balance. Before her death last year,

aged 91, she found sanctuary in an extravagant 14-room flat which occupied the entire 27th floor of the Hampshire House hotel.

Her eyrie floats high above the very nexus of the city. Equidistant from the up-market shops of the east side and the chamber music hall at Lincoln Centre which bears her name, the residence offers unmatched accessibility to New York's delights.

Yet, amid its lavish elegance, a visitor feels a comforting sense of distance. The vista from the front terrace, situated at the mid-point of Central Park's south face, encourages the illusion of a graceful and purposeful city where gentle woodlands and water-courses are framed neatly by gardens of urban architecture.

Inside, Tully created the illusion of an 18th-century Venetian palazzo. Its eccentric ramble of rooms - both intimate and grand - stands in refreshing contrast to the sterility

of most New York flats, even at the very high end of the market.

The music room, a sumptuous space with 18ft ceilings and double-height French windows, lies at the heart of this whimsical maze. In its stately elegance, the philanthropist indulged her greatest passion in a style which every New Yorker would envy.

Alas, few of them could afford it. The asking price is \$7m - plus \$22,800 a month in service charges.

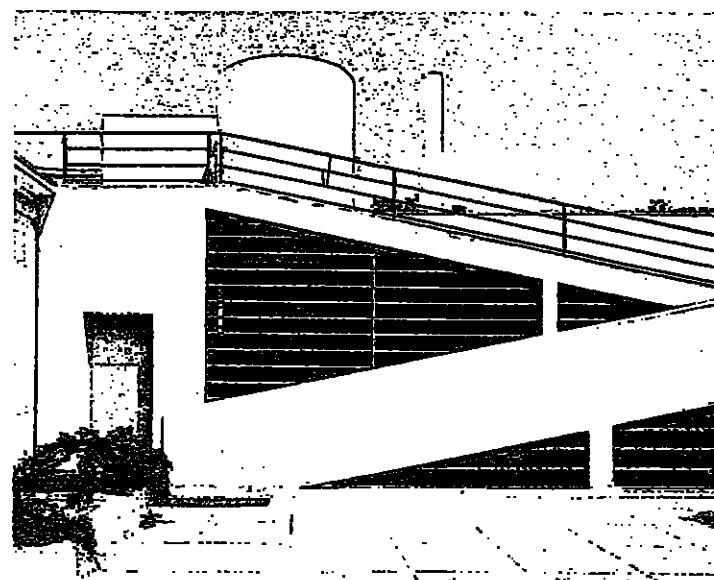
PARIS

If I was going for grandeur I would chuck out the Rothschilds and move into Hôtel Lambert, their 17th century townhouse on the Ile Saint-Louis, says Alice Rawsthorn. If I wanted something more modern, I would have to choose between Pierre Chareau's exquisitely eccentric Maison de Verre, in Saint-Germain des Près, or Rem Koolhaas's cool contemporary Villa d'Alba in Saint-Cloud.

But there is only one serious contender for my perfect Parisian pad - Villa Savoye, the white-walled house in a butterfly field in the western suburb of Poissy, which was the last and the loveliest of the purist villas designed in the 1920s by Le Corbusier.

It says a great deal about the house that it could coax an unconnected urbanite like me into an insalubrious suburb like Poissy. Villa Savoye would be worth it. It is a dream of a house: the perfect blend of Le Corbusier's architectural theory with a sensuous sense of space.

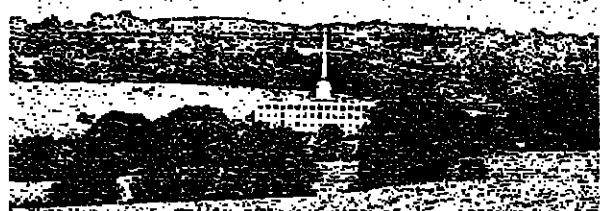
Villa Savoye was built in 1931 as the home of the Savoyes, an insurance magnate and his wife. The exterior is the same perfectly proportioned blend of soft curves and straight lines that is so appealing in Le Corbusier's bigger buildings. The main rooms are raised on columns



Villa Savoye: a French national monument that may never come on the market

Continued on Page III

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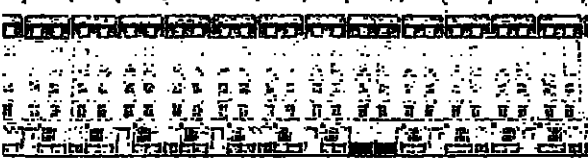
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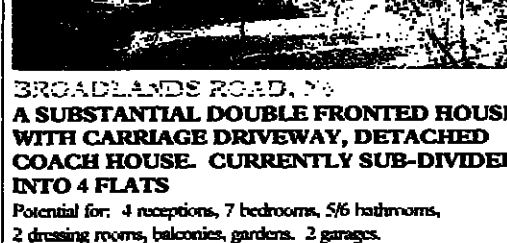
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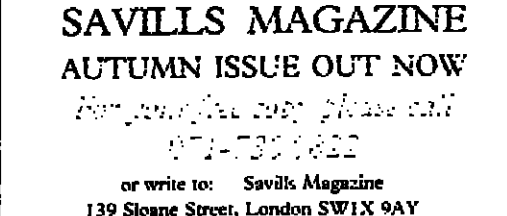
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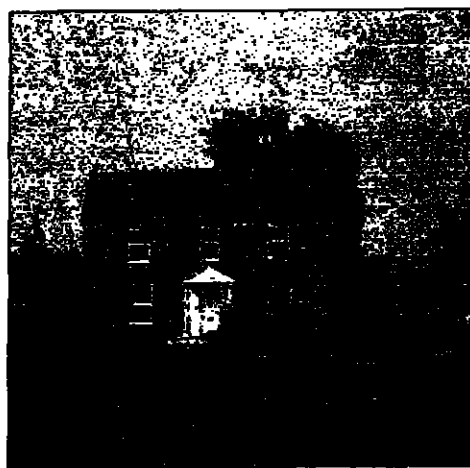
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Offers invited in excess of £635,000
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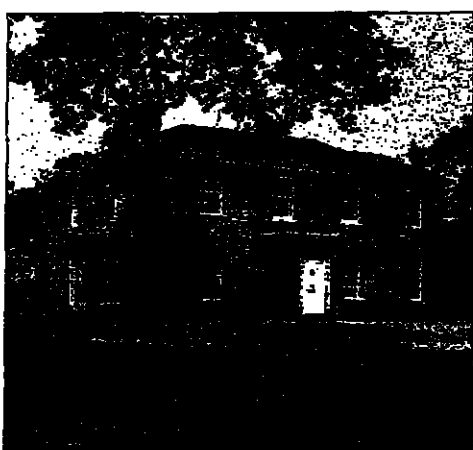


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About 27 acres.
Offers invited in excess of £650,000

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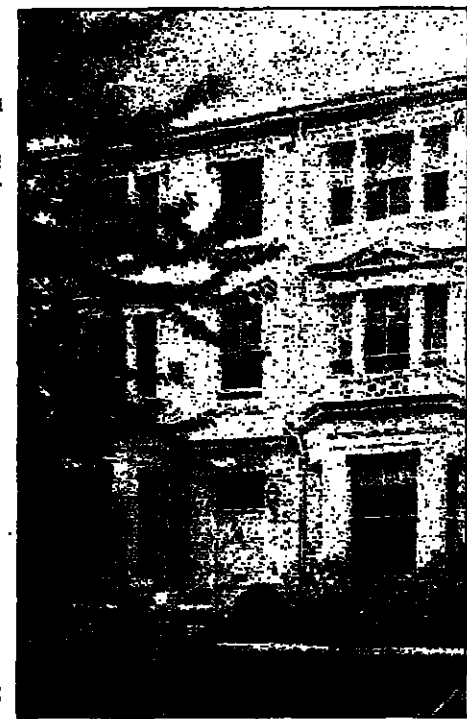
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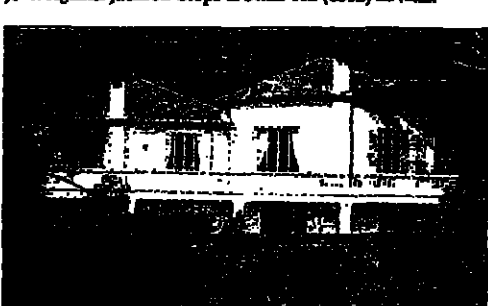
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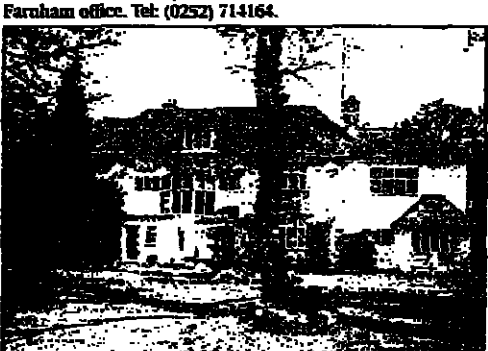
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STATE OF THE MARKET

Bright promise fades away

Gerald Cadogan looks at how the UK residential market has fared this year

The year had started full of promise but, as winter turned to spring, and then summer, the property market started sticking. The rise in long-term yields killed the attractive fixed-rate mortgages of January and February, taxes went up in April and the government did badly in local and European elections. As confidence waned, sales fell.

The mid-September base rate increase also prompted fears that the uncertain recovery in the housing market would be checked.

Negative equity probably provides a salutary reminder that, although prices are slowly improving, they still have a long way to go until they reach 1989-90 levels. The priority now, after a recession that affected the house-owning middle-classes most, is to have a home (with all the security and permanence that implies) and not a fast-profit investment vehicle.

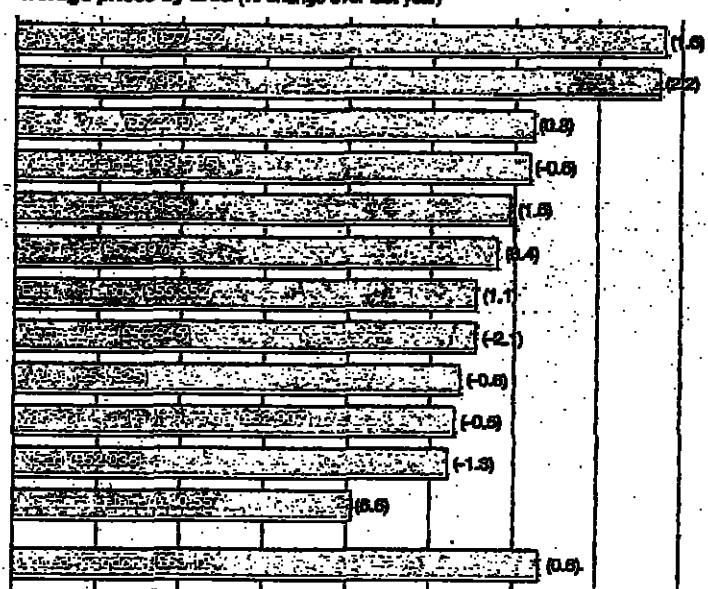
If potential sellers do not see anything to buy that they like and there is no reason to move, they are staying put.

The Corporate Estate Agents Property Index of net sales (those that went through), based on about half the country's housing transactions through estate agents, peaked in February (38,126 sales) and March (40,114), but by July had fallen to 29,382 - 9.7 per cent down on July 1993. In August the figure was 29,570, 1.7 per cent down on the same month last year but up 0.6 per cent on the previous month.

It is curate's egg of a market, good in parts. There are masses of would-be buyers, and the affordability of houses has hardly been better, but agents do not have enough vendors with the confidence to instruct them to sell.

House prices

Average prices by area (% change over last year)



Source: Halifax

This stock shortage makes the market still stickier and prices, as recorded by Nationwide and Halifax, have barely moved. Turnover is low and the expected general recovery is still on the horizon.

Two sectors are different. The shortage of homes for resale has boosted the lettings and new homes markets. New house prices went up sharply in August by 2.3 per cent from July, Halifax estimates.

More people are becoming tenants, some for well-established reasons (job demands, divorce, widowhood, waiting to buy after selling) and some because they now prefer the flexibility - and reduced respon-

sibilities - of renting.

It is also a market of strong local variations. Prices have surged in London and for good properties within easy reach of the capital. But in other parts of the UK they are still coming down.

In December 1993, Yolande Barnes, head of Savills' Residential Research, forecast rises of 10 to 15 per cent in prime central London prices by June 1994. The actual result, she computes, was 23.4 per cent, putting prices at about the level of June 1993.

We shall see in January how her forecast of December 1993 - that prices would rise by 19 per cent

across the country in 1994 and by 25 per cent in prime central London - has worked out. With half the year gone, the London advance has reached 11.9 per cent, showing that there has been good recovery in the capital.

This is very different from what Nationwide and Halifax have been saying but, as Barnes emphasises, their figures cover the properties on which they give mortgages and therefore leave out 28 per cent of transactions - mostly at the top of the market - that do not involve mortgages.

James Wilson, of buying agent Wilson & Wilson, thinks a more likely figure for the 1994 increase will be 10-12 per cent and points out that London is always a different market because foreign investors help to buffer it from the domestic economy. He expects a further 10 per cent rise in 1995.

Besides rich foreigners, City bonuses have been a factor, particularly in areas such as Kensington, Holland Park and Notting Hill, which showed an annualised increase for flats of 28.1 per cent and for houses of 23 per cent in the second quarter of this year.

The bonuses have also affected the market in counties such as Hampshire, where owners of cottages, village houses and country houses have been obtaining the asking prices immediately.

Michael Dunning, of Lane Fox in Winchester, sees many frustrated buyers chasing houses costing more than £500,000 with supply "distinctly short".

On Savills' figures, the general rise for good country houses has been 3.8 per cent in the first half of the year, with average rises of 1.7 per cent in the north, 2.6 per cent in the east and west and 8.1 per cent

in the home counties.

But it is a patchy picture in which local conditions and the quality of the house both have an effect. In East Anglia, Cambridgeshire is, as usual, the first county to feel the improvement in the economy spreading out from London, thanks to its university, high-tech industries and good communications. Prices have risen about 5 per cent this year, Bidwells reports, with far easterners and Channel Islanders among the buyers. There is the support of a strong lettings market.

Other parts doing well include south-east Wales, Gloucestershire, North Yorkshire and the West Midlands, according to the Royal Institution of Chartered Surveyors market survey for May-July.

Some selling and buying agents feel that Savills' bullish forecasts for 1994 price rises have encouraged vendors to put off decisions in the hope that they may wipe out any negative equity which they may have carried. But there cannot be any price changes without market liquidity.

Finally, in spite of exceptions, there is little prospect of quick capital gain. If attitudes to buying really have changed - and property is no longer something to take a punt on - the turnover in the resale market will continue to be much less than a few years ago.

That is good news for landlords and new home builders. But for estate agents it can lead only to amalgamations and reductions as there will not be enough business to keep them all going.

In the meantime, buyers should sell if they can and determine how large a mortgage their salary can stand so that they can beat the competition for that ever rarer item, a period house for sale.



Masses of would-be buyers - but agents do not have enough vendors

Continued from Page 1

above the ground so that the house seems to float among the trees. The columns form a circle specially measured so that the Savoy's chauffeur could whisk them to the door with a single turn of their Hispano Suiza's steering wheel.

The only hitch is that Villa Savoye is not on the market, nor is it likely to be in its guise as a French national monument.

SINGAPORE

It is much better to throw muds and come into the tropical breeze and go for traditional, colonial

style, writes Kieran Cooke. A house in the Mount Pleasant area, only about 15 minutes drive from the downtown business district, would be my ideal. You crunch your way up the drive to a two-storey black and white house. A verandah as big as a running track stretches around the building. Here, in the hallway by the front door, is where you sit and have a sundowner or play a rubber of bridge.

The proportions of the rooms are more than generous. Fans hanging

from high ceilings sloop away. The floors, made from the best tropical timbers, creek underfoot. Outside, the lawn is lined with sweet smelling jacaranda trees and hibiscus.

There are some inconveniences to living in the old style. There is little or no air conditioning. Crawling objects might choose to climb into bed with you and there are mosquitoes. But it is more what living in the tropics should be about. And you do not have to be a millionaire to afford this ideal. A three-bed-

roomed house, with substantial garden and pool, plus servants quarters, could cost just \$312,000 to \$318,000 per month.

TOKYO

The ideal homes that Tokyoites are madly curious to know about are the four penthouses on the 31st and 32nd floors of a luxury condominium complex offered by Sapporo Breweries earlier this year, writes Emiko Terazono.

The other condominiums in the

complex cost between ¥123.7m (\$808,400) and ¥486m (\$3,177m) and have been snatched up by those who can afford it. However, the company refuses to reveal the details and prices of the penthouses, which it says are not for sale to the public.

Property analysts say the penthouses are likely to be the most luxurious pieces of real estate to come on to the market in the last few years.

Sapporo says the development

block, Yohisu Garden Place, in which the condominium complex is situated, is itself a status symbol. Located in a trendier part of town, residents of the condominiums have easy access to high-rise office buildings, luxury hotels, restaurants and a shopping mall all inside the block.

BERLIN

Property is scarce, expensive and still plagued by claims from former owners in east Berlin, writes Judy

Dempsey. But do not despair. You will soon be able to live in Stadtmitt, the heart of old Berlin.

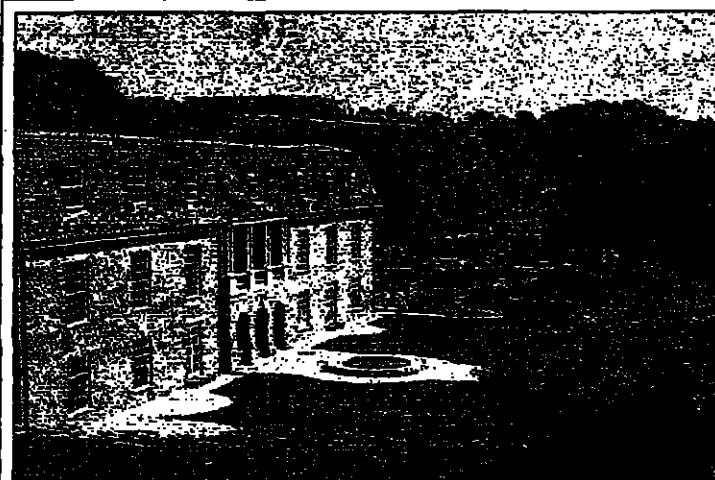
It is likely to become the hub of the German capital and a clutch of luxury apartments become available next summer when Tishman Speyer property developers complete their exclusive retailing, shopping and housing complex on Friedrichstrasse, a stone's throw fromCheckpoint Charlie. No one could ask for a better location, backing on to the Gendarmenmarkt. Renting is the norm and expect to pay between DM40 and DM50 a square metre. You will not regret it.

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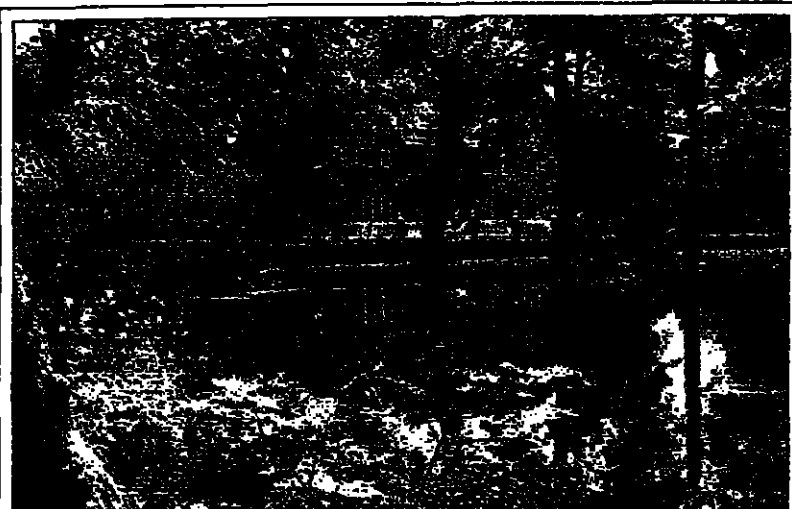
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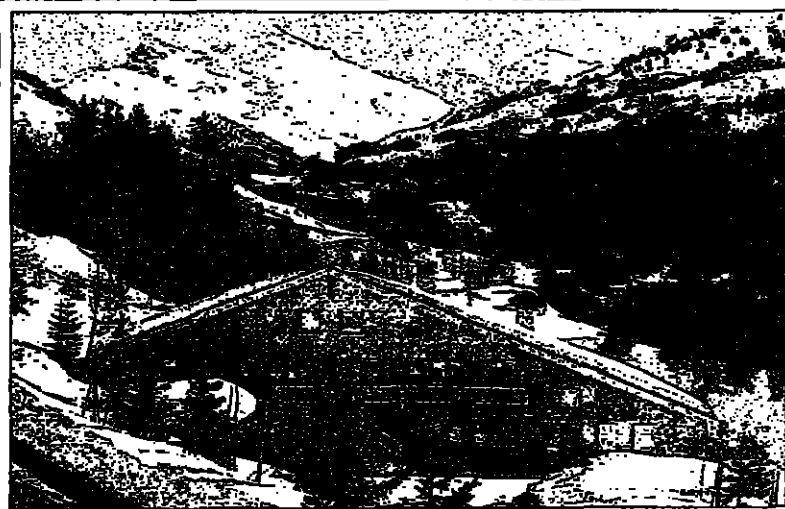
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FIELD SPORTS

Autumn is the high season in field sports. Pheasant and woodcock are shortly to be in the firing line; grouse and snipe have been fair game since the glorious twelfth of August, and the shooting season for partridge, wild geese and duck opened on September 1.

The grouse in Scotland have been a little disappointing, but salmon are doing well. And now that the harvest is in, cub-hunting has begun - training of the cub hounds to work as a pack and culling the weaker cub foxes.

They are all expensive sports but, if you travel almost all the way to John O'Groats, the northern tip of the British mainland, you can buy an estate of 44,000 acres for less than the price of a house in Kensington, west London.

The Forsinard and Bighouse estate, in the bogland "flow" country of Sutherland, offers virtually every kind of field sport, plus a 4,300-acre farm, 15-bedroom hotel, railway station, a sand and gravel quarry, and an extraordinary variety of wildlife.

The price? Strutt & Parker in Edinburgh is asking for offers over £1.35m. And no parking problems.

The natural home for hunting folk is Leicestershire, where six packs - revered names such as Belvoir, Cottesmore, Fernie, Pychley and Quorn - converge on Market Harborough.

It is special because much of the rolling country is still pasture, which keeps the old pattern of small fields divided by hedges. As the hedges were not grubbed up 20 years ago, jumping over them offers more thrills - and spills - per mile than in the rest of the country where they were removed (with government grants). And Leicestershire has fewer barbed wire fences.

An ideal hunting box (house for hunting) with an immaculate stable yard with eight loose boxes is Ravenhead, at Ingarsby, near Leicester in Quorn hunting country. Strutt & Parker in Market Harborough offers it for £450,000.

Also in Quorn country (for Friday meets) is Inkerman Lodge at Houghton near Melton Mowbray, which has 60 acres of grassland and costs £425,000 from Savills in Stamford. In Cottesmore country, Strutt & Parker offers Alstoe Farm at Burley-on-the-Hill in Rutland for £350,000.

An alternative is to make some income from hunting, by taking the lease of Kirby House Stables near Belvoir Castle, which used to be the Belvoir hunt kennels. The yard, with 49 loose boxes (21 let), three cottages and paddocks, yields a net income of £6,000, but could manage a further £15,000 from letting the remainder. The price for the lease,



The Ballisodare fishery in Co Sligo (left) could be made more commercial (price from £250,000). And right: Carnoch, Scotland, which includes a house, a hill and a whole river system (from £300,000)



In the hunt for a sporting venue

Gerald Cadogan surveys the hunting, shooting and fishing properties on the market



For shooting on the Pennines, consider the Scargill estate of 4,222 acres (with sporting rights over a further 922 acres) in Teesdale. Price: £1.35m

with 10 years left, is £100,000 from equestrian property specialist Christopher Stephenson.

In the Cotswolds, Knight Frank & Rutley in Oxford is selling Cope Hill Court at Upper Slaughter, a house converted from a 19th-century stable block but still with five

loose boxes and nine acres in Heythrop country. The price is £275,000.

Two other Heythrop houses from KFR are Evenlode Place (£900,000) and Downs Lodge near Shipston-under-Wychwood (£545,000).

Another hunting paradise is Ireland, where it has always been a

cross-class pursuit. If you want to go out with the Wexford, Kilmokea at Great Island, Co Wexford, has 14 loose boxes, an indoor arena and 19 acres of farmland. But any buyer must also be a gardener, to maintain a famous garden of seven acres. The guide price from Jackson

Stops & McCabe is £140,000, but it would be essential to be sure of the outgoings before taking it on.

For shooting and fishing, combined perhaps with deer stalking, the ideal is an estate in Scotland.

"Demand far outstrips supply," William Jackson, of KFR in Edinburgh reports.

Besides Forsinard and Bighouse in the north, Strutt & Parker offers Carnoch in the west near Fort William (where the railway station is the link with Glasgow and London).

Offers over £300,000 (down from £375,000) will buy a house, a hill

farm, 4,356 acres with deer stalking and rough shooting, and the whole Carnoch river system - which is always a good buy as it is easier to improve the fishing as you want it.

For the romantic, the same agent offers the island of Inchfad in Loch Lomond for £550,000 (or in one-eighth shares of £50,000), for duck shooting and as a base for fishing salmon, trout and poutan - the loch's own freshwater herring. It is 120 acres and has four cottages.

The Upper North Wark fishing beat on the Tweed (with a four-year average of 122 salmon) costs £700,000 (again Strutt & Parker). Or buy a specified week in perpetuity on the Beaulieu river near Inverness from £11,000 plus VAT per rod per week on the Upper Beaulieu (128 salmon last year) or £25,000 on the Lower Beaulieu (1,065 salmon last year), from KFR.

Fishing in the English West Country is far cheaper. Strutt & Parker in Exeter is selling a beat on the Taw in north Devon (20-year average: 23 salmon and 42 sea trout) for £175,000. A cottage is £75,000 extra. Stags offers Feld House near Chulmleigh with 11 acres and a mile of fishing on the Little Dart, a tributary of the Taw, for £250,000.

And in glorious, unspoilt country in the west of Ireland a complete salmon river system is available. The Ballisodare fishery in Co Sligo, covering four rivers, belonged for a long time to the Cooper family (as the Cooper Act 1837 ordained). They managed a superb fishery in the last century, which is now for sale with the netting rights in Ballisodare bay which means being able to control the fish returning to the rivers. The present owners have run it for pleasure, but the new owner could make it more commercial.

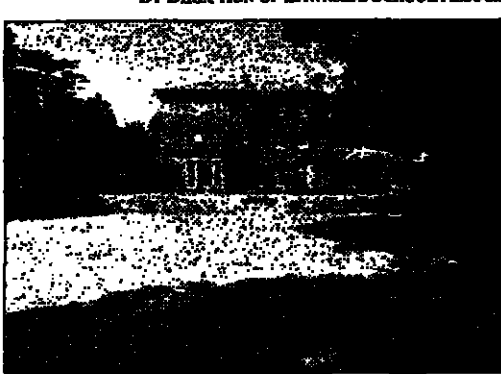
In recent years the average catch on rod and line has been 1,200, with 800 more netted. The minimum price is £150,000 from Hamilton Osborne King or KFR in London.

Finally, for shooting on the Pennines, consider the Scargill estate of 4,222 acres (with sporting rights over a further 922 acres) in Teesdale. Besides grouse (20-year average: 393 brace), it offers pheasant and duck, and six let farms producing £23,338 a year - to set against the price of £1.35m from Murray or Savills in York.

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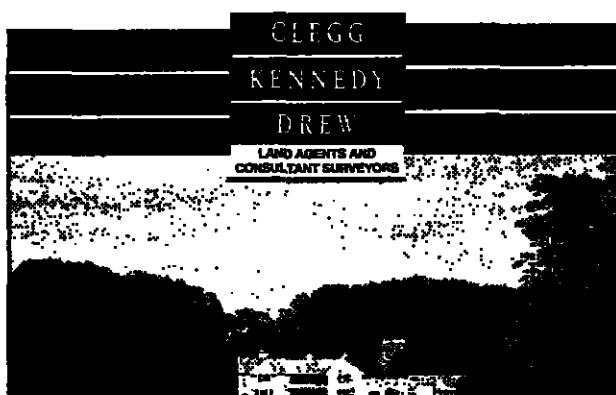
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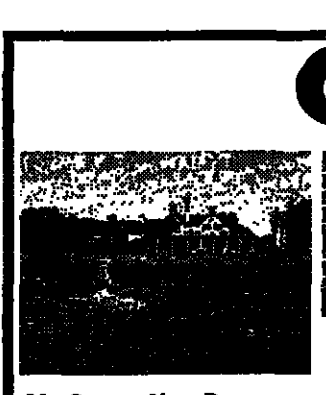
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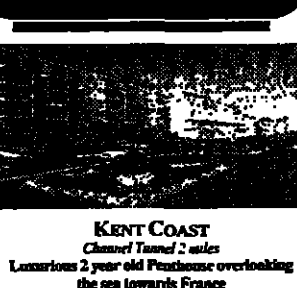
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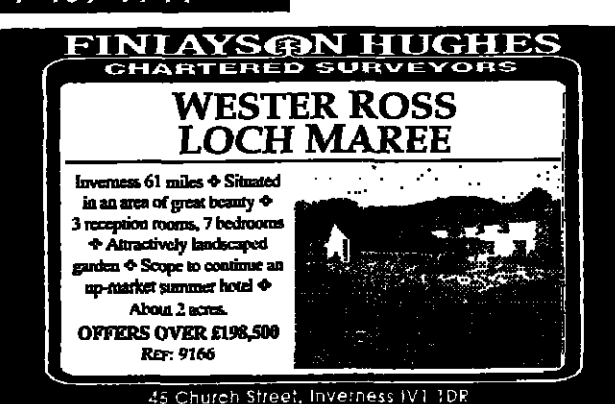
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ON THE WATERFRONT

A walk on the waterside in Britain's cities

Gerald Cadogan
sees new horizons
on old waste sites

Marina developments. Two boring words that strike pleasure into the heart of any UK property developer.

In truth, these areas are often relics of the Industrial Revolution - old ports well suited to conversion. They can give new life to their cities, providing space and visual pleasure. And, usually, they are next to city centres - often because they were the reason the city was founded.

Now that the Department of the Environment is tilting against edge-of-town greenfield sites for development, these brownfield/grey-water sites are an alternative to regenerate Britain's great cities and clean up industrial wasteland.

In its heyday, around 1913, Cardiff, the Welsh capital, supplied coal from the south Wales valleys for the world's steamships. But this rich commerce had to take into account the extraordinary tides in the Bristol Channel.

For 14 hours a day Cardiff Bay is mudflats. Boats laden with coal could leave only at high tide. The Coal Exchange in Mount Stuart Square (the pre-first world war equivalent of OPEC headquarters) had clocks flanking the entrance to the trading floor to indicate tidal times.

Today the tides, which can rise and fall more than 30 feet, are the reason for the largest scheme in the regeneration of waterfront Cardiff - the building of a barrage across the bay to pen in a 500-acre freshwater lake with a stable water level that will be a haven for watersport enthusiasts.

After many delays, work has started and the barrage should be completed in 1998.

This huge space of water will lie between Penarth on the west and the inner harbour of Cardiff to the east, which is the centre of the Cardiff Bay Development Corporation's schemes for new housing, jobs, facilities and shops around the old coal port. (The working port is the adjacent Queen Alexandra Dock, which dates to Cardiff's prosperous years.)

The port at Penarth is already the Portway Village marina and is set, like town squares, around two dock basins under the dominating presence of the old customs house on



The Cardiff Bay Barrage sits a huge development to help regenerate the city

the cliff above. Camper and Nicholson runs the marina, a development by Crest Nicholson (its joint company with Crest), which has about 230 boats permanently. Two housing units are still available, and some are for resale. With visiting boats, 18 per cent up on last year, it always has something to watch. "I'd like the activity - and the barbeque parties here," says Pat Lewis, who moved from the Midlands to be housing strategy manager for CBDC.

The tides make for exciting trips on a Bristol Channel cruising route

that stretches from Padstow, in Cornwall, to Gloucester, says marina manager Charles Bush. Once it has a stable water level, Cardiff Bay will become a major venue for boating, he says.

In Cardiff, access to the port has been improved. The new peripheral distributor road, which links Cardiff Bay with the M4, has been put in a tunnel and a boulevard, to be called Bute Avenue, will lead from the city centre to the waterfront. A new opera house for the Welsh National Opera, and a "virtual reality" cinema will join the Welsh Industrial

and Maritime Museum, Techniquet (a hands-on science museum) and a Harry Ramsden's for fish and chips.

Job opportunities are rising with several new offices - including NatWest's resuscitation of its grandiose bank of 1916 in West Bute Street, Nippon Electric Glass and Schott of Germany have recently invested £200m in a new factory.

Cardiff is different from ports such as Manchester and Liverpool. Its history as a coal port means that it needed only large flat areas to dump its product. There are no

warehouses to turn into flats, except for the isolated conversion by Lovell, a few years ago, of a Spillers' flour warehouse. Instead, it gives a rare chance to use lots of space to build a high-quality townscape from scratch, which is CBDC's aim. People may enjoy living and working around the inner harbour - and praying they will have an Anglo-Catholic church, a Greek Orthodox church and a mosque within 100 yards of each other.

The new housing schemes have a target of 6,000 units, with 1,700 built

or being built. Barratt, Beaser, Tarmac, Westbury and Windsor Quay are the developers for a variety of housing, of which 25 per cent will be social. The whole is an exciting plan to reunite a city with its roots in the water.

Swansea's wealth was in metal-working, but only two chimney stacks are left of the 300 that were there at the turn of the century. Two years ago it opened its barrage at the mouth of the river Tawe, creating a lake with excellent moorings and eliminating the mudflats

problem. A licence for the lock costs

£80 a year. Inside the barrage is the water entrance to the marina at the south dock. It closed in 1969, but the decision in the 1970s to make a maritime quarter created the country's first marina on old industrial land.

The scheme finished in the mid-1980s - although one housing site and two leisure sites await development. Grosvenor Waterside, the development arm of ABP, has plans for the less used part of the eastern commercial docks, using public and private money and providing everything from sheltered housing to 200,000 homes.

Westrec of the US, a Marina management company, took Swansea marina on as its first in Europe, and aims to raise the 65 per cent occupancy of berths by providing better facilities and, probably, a club for owners (most of whom live within 25 miles of Swansea).

In London the Chelsea Harbour development by P&O sits on an old coal dock and goods yard. Residents value its security and quiet, the harbour club and restaurants, a nearby supermarket, and stunning views.

(For the best view of it take a helicopter from the Battersea airport across the river.) A car is necessary since it is a long walk to the London Underground.

The marina has 55 berths (at £160 a year per metre) and can be left or entered 80 minutes either side of high tide. Yachts may repair to the Harbour's five-star Conrad hotel.

The 310 units in the eight blocks are all sold, bar a house or flat or two. But about 10 per cent are for resale at any time, at prices from £225,000 to £1.3m.

Rentals are also available. Harbour Estates is the agent on the spot. Beasley Pearce, Parkway, and Strutt & Parker also offer flats for sale.

In Edinburgh the decision to move the Scottish Office with 1,600 staff to the port of Leith has given an impetus to plans there. Known for its restaurants and wine bar, Leith now boasts an hotel converted from an 1883 sailors' home. (A joint project by Forth Ports and Ken Macleod of One Devonshire Gardens hotel in Glasgow). Forth Ports has shops, offices and housing in the area.

Information: Cardiff Bay Development Corporation (0222-585 888); Chelsea Harbour Beasley Pearce (071-589 2333); Harbour Estates (071-351 2300); Parkway (071-613 0032) and Strutt & Parker (071-255 9938) on Leith; Forth Ports (081-554 6473); and Swansea Marina 0793-470 310.

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HOLIDAY HOMES

Chalets for those who like Alps without snow

Audrey Powell explores resorts in France and Switzerland finds that properties by the slopes often sell to people who do not ski

It is common knowledge that a large number of people who buy homes on golf courses do not play golf. It also appears that many people who buy homes in Swiss ski resorts never ski.

"Your average client for an upper price property is 50 or over. He has made his fortune and comes to the mountains to relax. He likes the peace and quiet, the civilised way he is treated. He likes to look at the view and go walking. To him skiing is totally irrelevant," said a developer in Switzerland.

"He (and it usually is a he) does not want a lot of bedrooms. He has guests but puts them up in the local hotel. These are the kind of people who are able to pay £200,000 upwards for a ski-resort home. Not the yuppies. They go on package holidays or rent somebody else's chalet."

His remarks are a reaction to a report by Mintel Leisure Intelligence which argues that the British Education Reform Act, which discouraged ski trips in school time, will, in the long term, reduce the appetite for skiing among British adults. The number of children going on school skiing holidays has fallen from 200,000 in 1990 to 60,000 in 1991/1992.

Already, Mintel says, the mass market for skiing holidays has dropped sharply and only real enthusiasts have continued to ski.

But if the developer is correct, these trends may not affect the already slender British demand for ski-resort property.

A London agency which specialises in selling Swiss resort property, David de Lara & Partners, also notes a lack of commitment to the sport among buyers. The people who purchased his chalets or apartments were interested in summer activities.

"Skiing is never the primary motivation," said de Lara.

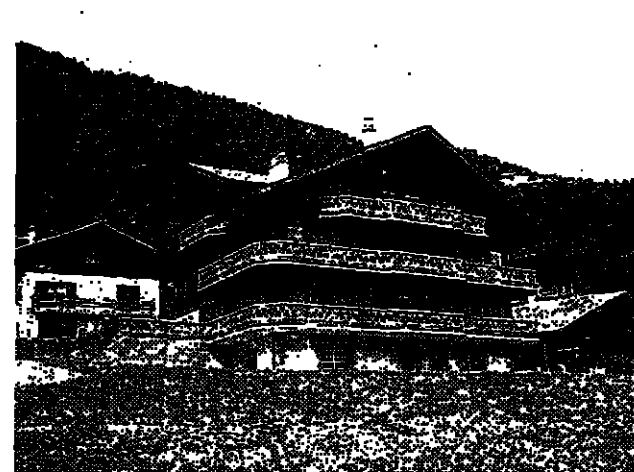
The market was "not bad" at present. There were British buyers and other buyers. But new properties were getting more expensive in Switzerland. So something an intending purchaser might like to note is that not only are the rules



Changing seasons: Chalet Grizli in Méribel (in summer, left, and winter, right) is on sale through Alpine Apartments Agency for £1.09m



Sun and snow: Chalet les Portes du Soleil in Champéry in Valais



Handy for the chair lift: Chalet L'Aubergine in Haute Méribel

about selling to foreigners different in the various cantons, but the related costs vary as well.

Acquisition fees, based on purchase price, including notary fees, federal and cantonal charges for making the search, purchase tax, drawing up deed and land registry fees in Champéry (Valais) come to 2.2 per cent. In Villars (Vaud) they are 5.5 per cent. Bank interest rates on mortgages in Valais are 5.5 per cent for both Swiss and foreigners. In Vaud they are 6.25 per cent for Swiss - and 7.25 per cent for foreigners.

Annual taxes on a property, including tax (communal, cantonal, federal) in Valais come to 1.2 per cent. For a similar property in Vaud they are 2.2 per cent.

The agency is offering property in Valais. At Champéry, a traditional Alpine village of timber chalets on the Swiss-French border, it has apartments in two new chalets. In one, units are ready for occupation. A one-bedroom apartment costs from £134,000 (£134,000).

There are two and three-

room versions and a penthouse at £300,000. There are also chalets on the hillside, looking down on the village. Price £315,000 for four bedrooms.

In Vaud, Lennards Properties International, a British-owned Swiss company, has apartments available to non-resident foreign buyers in a new 15-acre project at Villars. This is Domaine de l'Elysée, where the first apartment let,

L'Astragale, is being built. There will be 14 units in the five-floor building and some should be ready by December. A two-bedroom apartment is £216,000; a four-bedroom penthouse, £380,000. Five-apartment chalets will be built on the rest of the site, spread over several years.

Villars is a pleasant, long-established village and its central road is soon to be made

traffic-free. It is one of the few Swiss resorts which over the years has allowed foreigners.

In France Zigi Davenport of Alpine Apartments Agency, notes how recent building and road work, and new lifts, have improved its access and general appearance in Méribel, in Les Trois Vallées, where the agency has property.

There had been a lot of residential building for the Winter

Olympics and at very high prices.

"Incredibly most of it has sold and more is taking place," says Davenport.

Last winter's excellent snowfalls resulted in some of the best skiing ever in the area and demand had returned for prestige property.

Chalet L'Aubergine is a new stone and wood-clad apartment block set off the road, with

views across the valley of bel. For those who do intend to ski, it has the advantage of being beside the new chair lift and on the piste, so they can ski back to the building. A two-bedroom apartment is £145,450 (£145,450); a three-bedroom duplex, £240,000.

Neighbouring Courchevel 1850 is still pricey, but popular with the French, who, in spite of recession, are buying again, says Davenport. But, with a thought for the low-budget purchaser, she suggests a one-bedroom and bunk-room apartment, which can be had for £24,000 at Val Thorens. Letting this for three weeks in the main ski season in February, could produce a rental income to cover running costs.

Val Thorens claims to be the highest ski resort in Europe. But it has its detractors. In bad weather "you may be forgiven for thinking you have been stranded amid the mountains of the moon," says *The Good Skiing Guide 1995* (Consumers' Association, £14.99, 324 pages).

What of Italy? It was popular for skiing holidays last season because of the weak lira but not much of its ski resort prop-

erty comes on the British market.

When architect and mountain resort planner Laurent Chappis designed Samsicario, in northern Italy, 58 miles from Turin and nine miles from the French border, he knew what he wanted to avoid. Some modern ski resorts are stark when snowless in summer. Their tall apartment blocks lack the charm of traditional chalet design. Chappis was determined that Samsicario's buildings should have the minimum impact on the original scene: that the village would be vehicle-free and properties should have pistes "on the doorstep".

The residences and hotels are built around a commercial centre on gradually descending levels. The buildings are spaced out and no more than three storeys high. Large underground garages accommodate cars.

The properties are on the western slopes of Mount Fraiteve, with a view through woods of larch and fir. The residences, centre and ski-lifts are connected by pedestrian routes and there is a monorail for more distant buildings.

There are 100 cable-cars, chair-lifts and ski-lifts, and few queues. The centre has shops, bars and boutiques.

In 1976 the first buildings were ready. In 1997, along with Sestriere, Samsicario will host the World Ski Championship. Apartments are available from £100,000 (£124,200) to £300,000. There is a swimming pool and cinema as part of the development.

Indeed, UK agent Brian A French, in Knarborough, which is offering the apartments, says Samsicario can be enjoyed equally in summer and by the family which does not ski. There is horse riding; tennis can be played from 9am until midnight and a golf course is promised, with construction expected to begin next spring.

Information: David de Lara & Partners 061-743 0708; Lennards Properties International 071-586 9462; Alpine Apartments Agency 0544 382324; Brian A French & Associates 0423 367047.

Island refuge from cold, grey winter

Audrey Powell looks at prices in the balmy Canaries and Madeira

A growing number of Britons are taking their holidays in the sun not in the heat of summer but in cold, grey winter.

For them, buying a winter holiday-home in a warm climate makes sense and they should be able to let at high season rates in summer.

Spain's Canary Islands, off the north west coast of Africa, are favourites. Breezes keep them from being too hot and the temperature changes little throughout the year.

Of the seven major islands, Tenerife, the largest, is probably most popular. Its southern coast has beaches, golf courses - and most of the tourists. The north is damper and greener.

There is plenty of choice of property. One resort in the south has apartments, villas, building plots and a country club with 17 tennis courts. The villas cost from £79,000 (£79,000) to £300,000, with garden and swimming pool.

An interesting Canarian house halfway up a cliff looks down on the fishing village of La Caleta. It needs modernising but has scope for imaginative conversion, £28,000.

UK agent Babet, in Somerset, can send details of these and many other homes on the island. Allow 7 per cent of the purchase price for legal costs.

Since 1985, Chilcott White (Overseas) in Croydon, Surrey, has acted as selling agent for a Canarian landowner building groups of detached homes in Tenerife.

Today it offers two to three-bedroom cliff-top properties in the north, close to the Orotava valley and eight miles from Puerto de la Cruz. These bungalows or split-level villas are built to order.

Prices, with land, are about £40,000 to £50,000 (larger plots are available). A garage costs from £7,500, a swimming pool, £10,000. Add 30 per cent for purchase fees and taxes. Building takes six months.

Gran Canaria, the third largest Canary island has long sandy beaches, which make it popular; pine forests and mountains.

It also has areas of caves, both coastal and inland. Many

become fascinating homes. Estate agent Sheena Gallagher, of Property Market, in Las Palmas, can offer a cave-house with sitting-room, two bedrooms, two bathrooms, kitchen. It is on mains electricity, "but water comes naturally into an underground tank in winter."

The property has its own

area of land and can be reached easily by car. The price is £50,000.

This agency also has converted farms at around £350,000 and a number of old "character" properties. One, at £35,000, has two bedrooms and a cellar, which is a cave.

Another, built in 1670 and well cared-for, has four bed-

rooms, several out-houses and an artist's studio. It has attractive views. Price £145,000.

North of the Canaries, the small Portuguese island of Madeira has a different character. The Canaries are tourist-orientated, Madeira has a more settled atmosphere and a faithful winter-sunshine following.

It is a beautiful island, often called a floating garden - so much vegetation grows so easily in its mild climate, but it is short on beaches. Its image may have become dated, but Madeira is no longer the "forgotten island". EU money pours in to improve its roads and help it develop a new business status, with an offshore financial centre, free trade zone and much else.

Owners of private yachts can benefit from Madeira's international shipping register, which offers a tax holiday until 2011.

There is a good deal of property and land to be had, though the island does not advertise this much to the outside world. A third of the population lives in its capital Funchal, where prices are highest.

Here, among new developments, are blocks of one to three bedroom apartments, from £53,000 to £110,000. These are offered by Ithopredio, in Funchal, an estate agency run by John Rodrigues and his English associate, Michael White.

Prices of existing properties range from £50,000 to £240,000. "The market is a little quieter but still buoyant and prices have settled," says White.

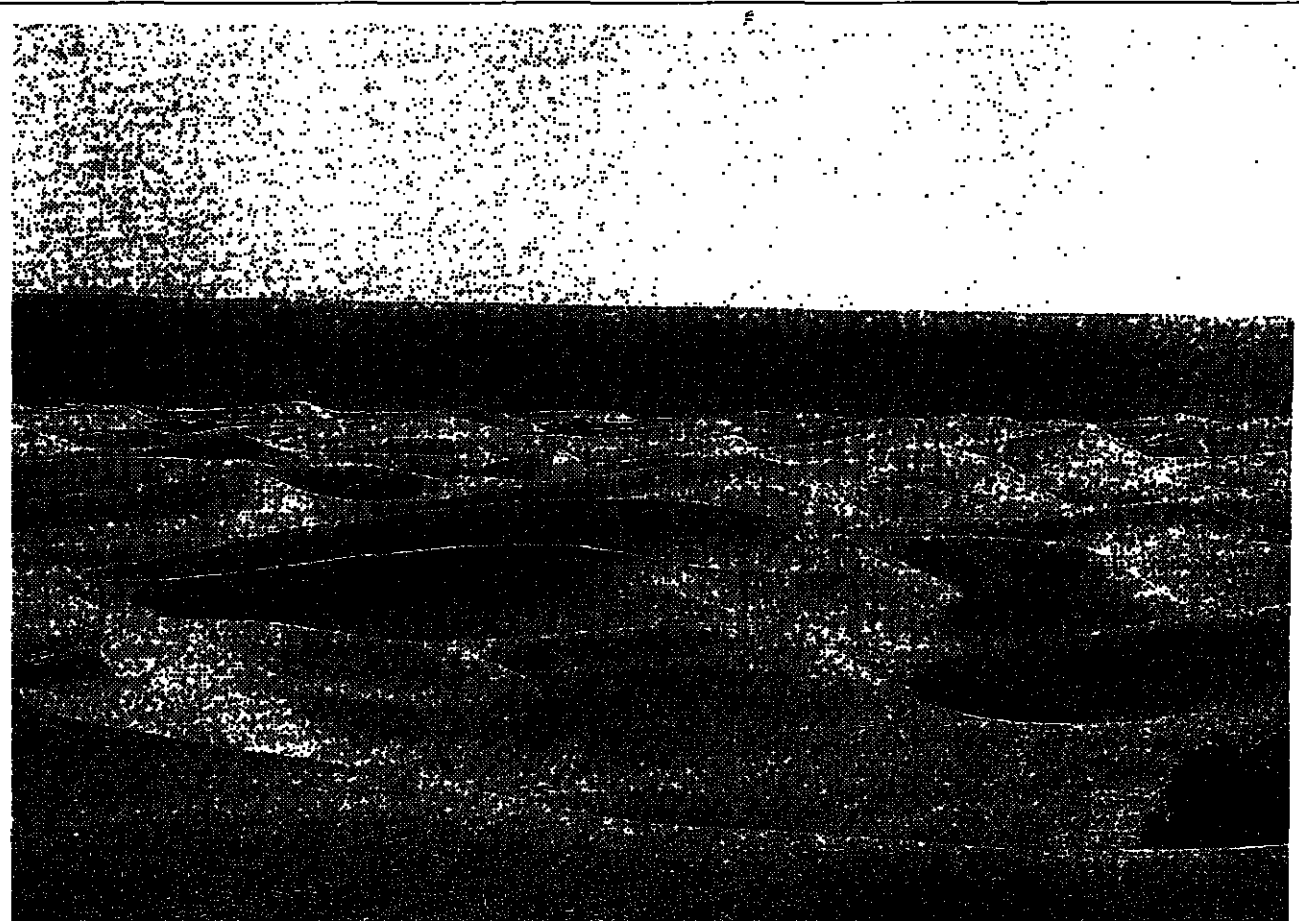
"There is a thriving community of English, German, French and returning Portuguese from South Africa." But the recession had reduced the number of buyers from Britain.

Another Funchal agent, Ivo Pereira, belongs to a group building hotels and apartments. It is building apartments just outside Funchal. They are part of a project with its own swimming pool and are priced from £85,000.

Information: Tenerife: Babet 0460 76213; Chilcott White 081-688 4151. Gran Canaria: Property Market 23 64 07 33. Madeira Ithopredio 23 24 77; Ivo Pereira 76 61 70.



Local flavour: Interior (top) and exterior of a two-bedroom "character" property on Gran Canaria, on sale at £35,000 with Property Market



Plenty of sandy beaches: Gran Canaria



Wild and warm: Gran Canaria offers a warm climate tempered by mild breezes, mountains, beaches and pine forests

PUBS AND CHURCHES



The Ebrington Arms, Braintree, Devon, on the market for £225,000



The Chestnut Horse, Easton, near Winchester, would cost £410,000



The Horse & Groom, near Bicester, Oxfordshire, on sale for £27,000

Free house even if a pub won't pay

Gerald Cadogan looks at the economics of buying an inn and finds that even those that lose money can be good buys

"If I were buying a pub again", says Tony Hackett, landlord of the Bartholomew Arms in the Northamptonshire village of Blakesley, and a licensee for 35 years. "I'd start by visiting other pubs around - before I went to the one I was interested in - just to see how much beer was being drunk in the area. If they're clean and bright but empty, it means no trade."

A rural pub needs a village of 500-600 people to be viable. Most of these need to live near enough to walk or roll home. Blakesley, says Hackett, is alright, but "Maidford's never been a drinking village."

The trade is not what it was, Hackett says. Gone are the days when licensees were their best suits for the Brewster Sessions in February (when licenses are renewed). The magistrates would have a report in front of them from the watch committee on what needed repairing and a man turned up from the brewery with a big book to note it all down.

"Sometimes, the beaks went round to check for themselves. Nowadays licensees come in T-shirts and jeans. I stopped going seven or eight years ago," he says.

His life has been in Northamptonshire pubs. One he took in 1982 cost £126 for the fittings, fixtures and stock, and had a rent of £16.

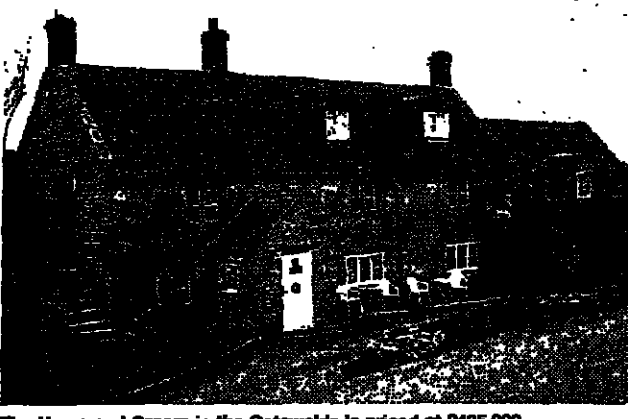
"An old couple had it. It was very run down. But he built it up and soon it was the only pub in the county, outside Northampton, to have tanks fitted because the cellar did not have enough room for the increased amount of beer he needed."

Pubs divide into the traditional and the gimmicky. Hackett has no tolerance for the gimmicky. "They're only good 'til the pub down the road comes up with a better gimmick."

That explains why many publicans are in and out of the trade in two or three years. Theme pubs have a shifting population. "There is no allegiance. At gimmicky pubs with youngsters you must be prepared once or twice a week to get your head thumped."

For food, he says, stick with what a pub does best, and remember that it is not an expensive restaurant and should not compete with one.

"A good ham, egg and chips is far better to offer than coq au vin," even if the husband has qualified in catering and the wife fancies herself as a cook.



The Horse and Groom in the Cotswolds is priced at £435,000

Hackett also believes pubs should concentrate on creating the atmosphere of a welcoming family pub at the centre of village life to improve business. If there is an unruly element, "get rid of it straightaway," he says. The police "take the attitude that you took the trouble-makers' money helping them to get drunk. So you sort it out yourself."

Hackett stocks two traditional beers - "real ale" and three keg beers. Drinkers stick to one beer. "A Phipps man didn't dream of drinking a Charles Wells." This made problems for the darts teams when players refused to go to some pubs. Therefore, says Hackett, a large choice of traditional has little point as they must be kept well and sold quickly, or they go off.

The drink-driving laws are not really a problem. People have adapted. One person drives, often the wife, if they cannot walk home.

You can become a publican as a tenant, or manager or owner.

Breweries are disposing of tied houses and there are some repossessions in the market, although far fewer than a year ago. So there is a range of free houses available. The choice, says Paul Reilly, west country manager of specialist licensed agents, Business Sales Group, is whether to take a run down pub cheaply, trade up and move somewhere else in a few years, or buy a sound business.

Buyers need to decide on their aims, and how they want to live and - most importantly - how strong their marriage is, before they start looking. How long will they stay? Can they improve it? Does it have out-line planning permission for an extension? Banks are more likely now to lend, says Reilly, and the brewers will help free houses with loans.

Pub sellers achieve best prices if they have good trad-

Hostel takeovers

Freehold pubs on offer from Business Sales Group (071-438 6617) range from the Horse and Groom at Causton near the Oxford Canal in Oxfordshire for £27,500 (which takes £1,700 a week net of VAT, split evenly between wet and dry sales) to the Horse and Groom at Upper Oddington near Stow-on-the-Wold in the Cotswolds for £435,000, which brings a cottage, 2.25 acres including a stream and trout pond, and seven en-suite letting bedrooms (producing about 20 per cent of the £250,000 net annual takings).

Near Winchester the Chestnut Horse in Easton ("a monied village"), costing £410,000, has a small "trade patio garden" and a popular pub menu. In the north-east of England the Four Ails on the village green at Ovington near Barnard Castle costs £225,000 from the Leeds office (0532-446 266).

In the West Country, the Plymouth office (0752-261 545) is selling the Ebrington Arms at Braintree between Barnstable and Ilfracombe, with five bedrooms and a 38 cover restaurant and a net turnover of £180,000 (in the year to August 1993), for £295,000, down from £320,000. Also reduced are the New Inn in Priddy near Wells "popular with cavers and walkers" (£245,000, from £275,000), and the Tower Inn at Sipton in Devon, now £299,950 from £400,000.

ing accounts, preferably for three years, and the house is in good order.

"If it needs a new carpet, do it before you put it on the market," says Reilly. The usual price is about one and a half times turnover net of VAT.

An alternative guide is how many barrels it sells. If the pub sells less than five barrels a week, it is not viable. Five barrels a week is about 250 a year, which can be capitalised at £500 a barrel - or a price of £125,000. So, occasionally, with a low-turnover pub, the bricks and mortar may prove more valuable than the business.

A pub like this could sell at prices far below comparable houses - or cottages - that are not pubs, although sometimes

VAT is added to the purchase price.

In tenanted pubs a typical rent is £38 a barrel. Managers, of course, do not put up their own money but normally have a share of the profits as well as their salary.

Although the beer is the prime commodity, the publican's income comes less now from the "wet trade". The ratio used to be 80 per cent wet, and 20 per cent from food; but now the food may be 40 or 50 per cent of turnover. Gaming machines, known as AWP (amusement with profit) machines, are another source of income. The publican normally receives half the take.

Even so if, if a publican cannot sell beer, other income will not keep a pub afloat.

Heritage/Clive Fewins

A tour of the towers

Which came first, the tower or the church? This is a conundrum that has taken Bill Goode up many a church tower.

Goode, an 81-year-old retired pork butcher, has ascended and measured all but a handful of British's round church towers and can usually tell whether a particular tower is Saxon, Norman, or a later rebuild.

He is also the founder of that splendid example of the British love of obscure but worthy causes, the Round Tower Churches Society, which comes of age this month.

To celebrate the event, the society has published a new edition of Goode's guide to all the round-tower churches in the country.

Goode became interested in churches at the age of 52. He was looking for something to photograph with his new camera and when he chose the round-towered churches of the Waveney valley, inland from his native Lowestoft, Suffolk, he realised what a poor condition many of them were in.

Eight years later he turned his enthusiasm into a national society, with a membership that has just topped 400. In the intervening years it has raised several thousand pounds which has been dispensed as grants to help restore the round-tower churches that give their name to the society.

There are 175 complete round-towered churches in England, and a handful of others in a ruinous state. Goode and his fellow enthusiasts aim to make sure no more are allowed to deteriorate, by raising funds and creating interest in these remarkable buildings.

Preventing others falling into ruin is an uphill task. Of the 162 round-towered churches in Norfolk and Suffolk, most are in isolated hamlets, or even sitting alone in fields at the site of a former settlement. Of the remaining 13 round-towered churches, six are in Essex, two in Cambridgeshire, three in Sussex

and two in Berkshire. These church towers are round, and are found in only these six counties, because they are areas in which the stone was not good enough to build corners. The faithful had to gather flints and puddings-tone, a dark iron conglomerate from the surface of the fields, to build their churches.

Some are very low (the average height is 35-40ft), others a little higher and built in clearly-visible 10ft "hands", which are the result of the short building season between Easter and Michaelmas in which mortar was able to set in frost-free conditions.

By examining the tower in detail - and Goode has ascended and measured all but a handful of the round towers - he can usually tell its age and origin.

His conclusion is that 90 per cent of the East Anglian round-towered churches were built before 1080, with some of the churches dating back to 800. The towers themselves tend to be a little later, he says, because in most cases they were added to the churches.

"People often think the tower came first because it often looks older than the adjoining church. But what I believe is that the Saxons built a church of flints and rubblestone - in many cases to replace an earlier wooden church - and then added a round tower," says Goode.

"In later centuries the faithful would reface the church with superior knapped flints and update the earlier buildings using superior dressed stone. But if the tower was sound they would leave it."

Round Tower Churches of South-East England by W E Goode is available from C P Marchant, 4 Finchley Court, West End Street, Norwich NR2 4ET. Price to non-members is £24 hardback (plus £2 post and packing), or £15 paperback (plus £1.50 p.p.). Details of the society from E M Stilgoe, Crabbe Hall, Burnham Market, King's Lynn, Norfolk PE31 8EN.

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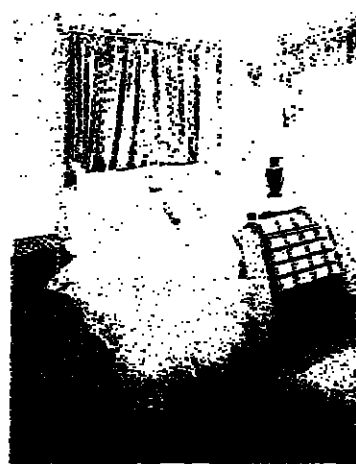
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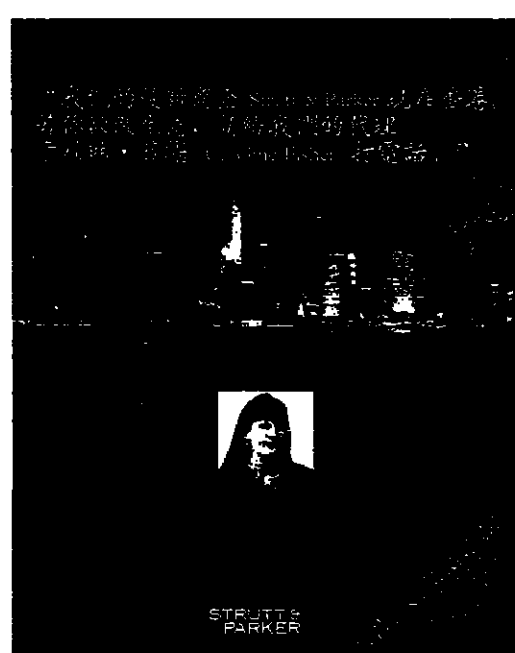
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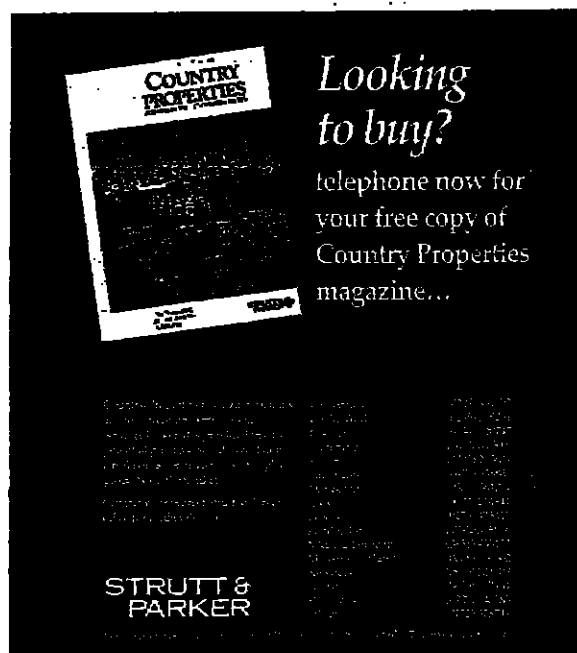
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